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# ***JPRS Report***

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# **China**

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# FBIS 50th Anniversary Note

To Our Consumers:

This year the Foreign Broadcast Information Service observes its 50th anniversary.

The service, first called the Foreign Broadcast Monitoring Service, was established in 1941 prior to the U.S. entry into World War II. At the time, a number of U.S. Government officials were concerned about the content of foreign radio broadcasts—a relatively new means of conveying information and propaganda across borders. On their advice, President Franklin D. Roosevelt in late February 1941 allotted money from his emergency fund to institute the recording, translating, transcribing, and analyzing of selected foreign broadcasts for the U.S. Government. During World War II the service demonstrated that monitoring was a fast, economical, and reliable way to follow overseas developments.

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We members of the current staff of FBIS extend our thanks to consumers for their interest in FBIS products. To past staffers we extend our thanks for helping the service reach this anniversary year. At the same time, we pledge our continued commitment to providing a useful information service.



R. W. Manners  
Director  
Foreign Broadcast Information Service

# China

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## GENERAL

### Opportunity Seen in World Economic Order of 1990's

91CM0255A Beijing RENMIN RIBAO OVERSEAS  
EDITION in Chinese 26 Jan 91 p 3

[Article by Li Cong (2621 2827): "Outlook on the 1990's—The Global Economy and China"]

[Text] Though economic growth rates in the Western developed countries was not high during the last 10 years, their level of currency inflation was low, and, on the whole, their economies enjoyed continuous stable increases. It is safe to predict that the Western countries will pursue this new conservative policy also during the 1990's, and that the average annual growth rate of their fully developed economies will be more or less maintained at around 3 percent.

At the start of the 1990's, the economic growth rate in the West perceptibly declined. It was only 2.5 percent in 1990, and there was even a move from stagnation to recession in such countries as the United States, Britain, Canada, and Australia.

Although economies in Japan, Germany, and other countries on the European continent still registered some growth, their growth rates, for a variety of factors, showed a declining trend. It has been forecast, however, that the present recession will be rather mild and of short duration.

The Gulf crisis that erupted in August 1990 and the hostilities that followed were directly responsible for fluctuations in global oil prices. Even though effects have been felt for only a short time so far, Western countries that depend on oil from the Gulf for their economic development have already had to pay a huge price and find themselves in difficulties. Continuation of the Gulf conflict will directly increase expenditures of these Western countries and prove a serious burden on their economic development.

On the other hand, there are also beneficial factors in the 1990's which will promote Western economic growth: First, the end of the cold war and relaxation between East and West, represented by the Soviet Union and the United States, will be helpful in that funds will now be concentrated on economic development. Second, advances in the world's scientific and technological revolution have resulted in the rapid development of a whole range of high-tech industries, in such fields as new materials, microelectronics, bioengineering, aeronautics, and astronautics, for example. Third, the global market will gradually expand with the deepening of international division of labor. Fourth, joint international involvement and international cooperation in the global market will intensify. It can well be foreseen that after the present recession passes, the economy of the West will show moderately fast growth.

In the 1990's, there will be an intensified multipolarization of the global economy. Four countries, the United States, Japan, Germany, and the Soviet Union, with their huge industrial complexes and their modern science and technology, will be in the forefront in the world. They will be the decisive forces in international economic activities, and will therefore have major influence in the global economy; they will constitute four "poles" in the world's economy.

They will be strong economic entities and, to strengthen their own positions of economic power, will develop and strengthen economic cooperative relations with other countries in their region, going even so far as to establish certain organizations of economic integration. This will lead to intensified regionalism and the formation of blocs throughout the world economy. The U.S.-Canadian free trade zone will expand and take in Mexico and other Latin American countries, and a "North American common market" will develop in the 1990's, with the United States as its core.

After 1992, when the large European Common Market will have come into being, efforts will continue toward a single European currency, a single exchange rate, and a single customs system. The spread of integration within the European Community will be further broadened, as the prospects of a large European Common Market will exercise a strong attraction on the East European countries of Hungary, Yugoslavia, Poland, and Romania. The economy of the Asian-Pacific region will maintain its rapid development, and economic cooperation between its various countries will grow continuously stronger, while developments will be uneven between the large economic powers and the various regions. The United States is weakening, the Soviet Union is in a serious recession, and Japan and Germany are rapidly gaining in strength. Among all the various regions, the Asian-Pacific region shows the most sustained vitality.

The multipolarization of the global economy and the formation of regional blocs proceeds in an uneven manner, rendering the world's economic contradictions and conflicts more complex and more acute. International trade, international investments, and international monetary activities will in the future be concentrated in the Western developed countries. The Soviet Union and East Europe will want to intensify their economic exchanges with the Western countries. Most of the developing countries of the Third World are deeply in debt, a crisis from which they cannot extract themselves, and which will slow their economic development, so that the North-South contradiction will sharpen dramatically.

China is maintaining its policy of opening up to the outside world; its foreign trade in 1990 was much larger than in the preceding year. About 7,000 foreign firms invested in China, and funds involved in these cooperative agreements exceeded the amount of similar funds provided in 1989. Reform and opening up to the outside

world intensified economic exchanges between the Chinese economy and world economy. In the 1990's, China will establish even closer and broader links with all countries of the world.

The economic slowdown or recession that will appear in the global economy during the 1990's, the effect of the formation of regional blocs in economies and trade of the international market, and the rapid development in the countries surrounding China will, on the one hand, create favorable conditions for China's economic development, but, on the other hand, bring China face to face with new challenges.

The steady but low-key growth in the Western economies is of benefit for China's economic exchanges with foreign countries, and will increase foreign trade opportunities. Especially the Soviet Union and East Europe are in need of considerable quantities of durable consumer goods from China's light industry, but the shift in the direction of the flow of international funds will to a certain extent adversely affect the scope of China's possible absorption of foreign capital. In view of the fact that China has established close economic and trade relations with the countries of North America and the EC, as well as with Japan, China will have to firmly maintain a policy of stable and harmonious development during the 1990's, to make efforts to improve the efficiency and quality of its production, to improve its investment climate, and to intensify bilateral and multilateral economic ties to all countries in its struggle to accomplish the strategic objectives set for the end of this century.

### **Saudi Arabia To Provide Free Oil to Pakistan**

*OW1902060191 Beijing XINHUA in English  
0546 GMT 19 Feb 91*

[Text] Islamabad, February 19 (XINHUA)—Saudi Arabia has offered Pakistan 50,000 barrels of crude oil daily free of cost for a period of three months starting from January 1.

According to official sources today, the Saudi offer, covering a total quantity of about 4.5 million barrels worth about 100 million dollars, has apparently been extended in recognition of the heavy economic strains Pakistan is facing due to the war in the Gulf.

The sources said that the formal intimation received from Riyadh last week stated that the entire quantity of 50,000 barrels Pakistan has been importing from Saudi Arabia each day would now be available to it at no cost for a period of three months starting from January 1.

This is the first relief Pakistan has received from its Arab friends since the outbreak of the Gulf war due to which Islamabad has suffered an estimated loss of about 2 billion dollars.

According to the Finance Ministry the Saudi help would enable Pakistan to ease its balance of payment position. The decline of international oil prices has also come as a

big relief to the country which suffered heavy losses from August to December when the oil prices shot up to 27 dollars per barrel [as received] and the prices of the finished product also registered a steep rise.

The ministry said that the situation became worse with the suspension of the American economic aid in October last year and the suspension of the cash support by the International Monetary Fund. They said that the country has survived the worst crisis and the situation is now gradually improving.

## **SOVIET UNION**

### **Discussion of Social, Political Changes in USSR**

*91CM0150A Hong Kong CHAO LIU [TIDE]  
in Chinese No 45, 15 Nov 90 pp 55-57, 59*

[Article by Chang Yihung (1728 3015 1738), graduate student, Department of International Politics, Japan's Aoyama University: "Studies of the Tide of Reform in Eastern Europe, No 40—The Political and Social Factors That Produced a Reformer Such as Gorbachev"]

[Text] It was probably historically inevitable that a Gorbachev would appear in the Soviet political arena in the mid-1980's.

In order to understand why the Soviet Union produced such a person as Gorbachev, it is necessary to study and explore in depth the various characteristics of Soviet society during all periods since the 1960's, including the development of figures from all social strata, such as the CPSU, intellectuals, and the military. First, it is necessary to understand the major and minor factors that produced such a reform hero as Gorbachev.

### **The Gradual Pluralization and Urbanization of Soviet Society**

*The first major factor that produced Gorbachev was the pluralization and urbanization of Soviet society.*

The urbanization of society was a common phenomenon that occurred in various countries after the Industrial Revolution. The widespread growth of machine manufacturing that led to the continuous regeneration of large numbers of industrial workers, the raising of labor income levels, and the improvement of educational standards, greatly aroused the human rights and political consciousness of contemporary industrial workers. As a result, universal suffrage spread from the bourgeoisie to urban residents. At the same time, the conflict of interests between the masses and their governments and between individuals and groups also became more diverse and complicated. Governments experienced increasing difficulties in achieving overall social conformity, and "man" became an increasingly "complex being."

Although the urbanization of Soviet society has been underway for many years, it has never actually got past

the initial steps. The Industrial Revolution, which began in the last half of the 19th century, intensified after the October Revolution. While the urban population accounted for only 16 percent of the Soviet population in 1922, this figure had increased to 65 percent by the time Gorbachev came to power in 1985. Considering that roughly 6 percent of students and businessmen in Moscow and Leningrad are from rural areas, the urban percentage of the Soviet population is already very close to West Europe's approximately 75 percent. Moreover, by Brezhnev's time (1964-1982), the Soviet GNP had reached \$3,000 per capita per annum, or seven times that before the October Revolution, many workers owned their own cars, and it was no longer uncommon for peasants to have color TV's and refrigerators. The improvement of educational standards also made the Soviets proud. While college students accounted for only 1 percent of the Soviet population in 1939, this figure had reached 10 percent, or almost one-third of the work force, by 1983. By the 1980's, the daily lives of the Russian masses, who had been Europe's most conservative, closed, and unenlightened, could no longer do without the Voice of America, the BBC, and rock music.

*The higher material living standards brought "initiative" into the Soviet mode of thinking.* A psychological poll taken by the Siberian Academy of Sciences in 1983 of 3,500 White Russian and Lithuanian youths, found that the daily lives of less than one-fourth of them were governed by "social" motivations, such as a sense of duty or ideological conviction, while those of the other three-fourths were governed by countless "individual" motivations, such as personal lives and love.

Once Soviet society became more diversified, the party was no longer the chief arbiter of social interests. Various social strata, such as teachers, doctors, manual laborers, engineers, senior bureaucrats, and pensioners, began to cause a diversification of interests. Their social relations could no longer be determined simply by a "two-class relationship." Under these conditions, the number of unofficial groups expressing self-interest increased continuously. It is estimated that more than 100,000 such groups, all the way from female rock stars to political groups that demanded respect for minority nationality cultures, antiwar protesters (against the war with Afghanistan), and democracy advocates, stimulated Soviet society in the mid-1980's. Moreover, the sociologist Zaslavskaya's investigations also show that more than 80 colonies with various lifestyles and interests exist in the Soviet Union.

Soviet economic life is also becoming more diversified, with the flood of various styles of Levis and T-shirts that can be seen on the Moscow streets showing how the Soviet consumer mentality is beginning to change. *The economic formation of Soviet society is making a gradual transition from a quantitative to an individual consumer mentality.*

Intellectuals are beginning to question existing sociological and psychological theories. The classless "party of

the entire people" and "state of the whole people" ideology—that there are no divisions of interests or antagonistic relations among the party, the state, and the masses in socialist society—seems to be stuck at a late-1950's stage and "is nothing more than a leftover hallucination from Sputnik" (the Soviet Union's first manmade satellite) (in the words of Krotzky).

Soviet sociologists have revised the sociological theories that evolved in the 1930's as follows:

1. *Individual and social interests are not necessarily identical.* (The 1968 reprint of the (Dictionary of Philosophy) further interprets this as "In a socialist society, society's interests are objectively shared with its members.")
2. *Society's concerns are not necessarily equivalent to individual concerns.*
3. *The Soviet style of management used to function because of the low cultural consciousness of the masses.* (These are exactly the opposite of the theories that prevailed in the 1930's.)

#### **The Weakening of Direct CPSU Control Over the Soviet People**

*The second major factor that produced Gorbachev was the loss of party control over the national economy and public opinion, which was expressed primarily by a change in cultural values.* The outstanding characteristic of CPSU policy in the 1930's of state industrialization, was a craving for economic fanaticism and standardization. Things such as the biggest factories and dams and standardized operating styles and prices were what Soviet economists pursued persistently. Correspondingly, cultural values were also artificially standardized. The high degree of administrative centralization in the cultural sector (such as the centralization of writers and film associations), and the standardization of literary creation all the way from form to content (such as the standardized characterization of "heroes" and the party's bureaucratic models, gave the party a "monopoly" over popular culture. Thus, the basic characteristic of a disregard for "human nature," and the distortion of all of humankind's basic economic, psychological, and cultural attributes with a system of simple administrative orders or penalties, were the basic features of Soviet society after the 1930's.

The loss of party control over the Soviet national economy and public opinion began in the mid-1970's and is being expressed as follows:

1. *A loss of labor discipline:* Statistics show that, while Soviet productive forces expanded 45 percent from the sixties to the seventies, they declined 25 percent from the seventies to the eighties. Since the 1980's, Soviet productive forces have expanded less than 1 percent a year. Moreover, at least one-fourth of workers transfer to

other jobs each year, 20 percent of the work force is working under capacity, and 10 percent of all work time is being wasted.

2. *A bad habit of excessive drinking:* Russians have always had a bad habit of excessive drinking. While the average per capita consumption of alcohol was 3.5 liters a year before the October Revolution, this figure had risen to 8.5 liters by the early 1980's. During the two decades from the sixties to the eighties, vodka sales increased 74 percent and wine sales increased almost four and a half times. Most excessive drinkers anesthetize themselves due to mental pain, which is a reflection of the psychological depression that comes from living under the Soviet system.

3. *The rebirth of religion:* Even though the Soviet Union had declared itself an atheist country and banned religion after its revolution, there were still 30-50 million people regularly attending the Russian Orthodox Church by the early 1980's. Even the "true believers of Marxism-Leninism" were forced to acknowledge that this was an expression of a loss of faith in their sense of values, and a "social disease of lost souls."

In summary, Soviet society in the early 1980's was complex and full of contradictions. *On one hand, the continuous improvement of material living standards and the steady pluralization of society were forcing the Soviets to become more "complex beings," while, on the other hand, the changed morality and sense of values as well as the economic stagnation, were causing depression and ideological change.*

#### **The Changes Within the CPSU Due to the Quality of Education**

*The third major factor that produced Gorbachev was the changes within the CPSU itself.*

The historical developments in the Soviet Union during the 1970's, which changed Soviet society and people, also naturally changed the nature of the ruling party itself. The hammer and sickle on the Soviet flag originally symbolized an alliance of workers and peasants. Although The CPSU could be said to be made up of intellectuals in the early days of the revolution (e.g., the Lunacharskiy and Bukharin Red Teaching Institutes), the "joining of the party at the battlefront" during the Civil War (workers and peasants who quickly joined the party constituted 95 percent of new party members in 1919) and Stalin's campaigns to eliminate counterrevolutionaries in the thirties turned the CPSU into "an alliance of workers and peasants" in reality as well as in name. But by the time the Soviet Union had become a country that could put a space station into orbit in the 1980's, such an "alliance" had long since ceased to exist except in name.

The CPSU line since Khrushchev's time (1953-1964) has been administration by specialists. Of the current CPSU membership of 18.82 million, 45 percent are skilled workers, only 12 percent are peasants, and 43 percent are

intellectuals or staff members in tertiary industries (service trades), although intellectuals account for a bigger percentage in key party organs. In the KGB, 94 percent of high-ranking women field-grade officers are college educated, 75 percent are proficient in a foreign language, and 20 percent have master's degrees.

The "alliance" between the CPSU and intellectuals reached its heyday in Andropov's time (1982-1984). The well-known figures in his brain trust included the LITERARY GAZETTE political commentators Burlatskiy, Arbatov, Balbin, and Glasmov, with whom Andropov met every night from 2200 to 2300 for discussions of important affairs of state. There seemed to be an unnatural shift in the CPSU policymaking order at that time from the Politburo and KGB to specialized agencies, such as the World Economics and International Relations Institute, the U.S. and Canada Institute, the Central Mathematical Economics Institute, and the departments of Economics and Literary News Economics at Moscow University. These qualitative changes in the CPSU undoubtedly paved the way for later Gorbachev reforms.

Even less to be ignored was the fact that the military men, or "the older generation of proletarian revolutionaries," had long since distanced themselves from the political arena, and that the Politburo elected at the 25th CPSU Congress in 1976 had only two military men (Minister of Defense Gertschik and Marshal Ustinov).

In 1989, only one military man was an alternate member of the Politburo (Minister of Defense D.T. Yazov), and military men accounted for only about 8 percent of Central Committee members after the 25th CPSU Congress.

#### **Gorbachev's Political Advantages**

Of course, these major factors alone are not reason enough to explain why Gorbachev instead of someone else was able to gain control of the Kremlin in the mid-1980's, but the minor factors in his rise to power, that is, the political climate at the time, must also be analyzed.

*The first minor factor in Gorbachev's rise to power was that he set five records as the "youngest" leader in CPSU history.*

The senior CPSU leadership had reached old age by the eighties, when elders such as Brezhnev, Ustinov, Suslov, Zhunglov, Andropov, and Chernyenkov all passed away in the five years from 1980 to 1985. This chain of "funeral diplomacy," which stood in sharp contrast to the aggressive offensives launched by the Reagan government, did great damage to Soviet self-esteem. These phenomena obviously showed that Soviet society and the CPSU were in a crucial transition period.

It was during this period that Gorbachev set five records as the "youngest" leader in CPSU history. When he became first secretary of the CPSU Committee in the

Stavropol Border Region in 1970, he was the youngest of the CPSU's then approximately 200 prefectural committee secretaries. At the 24th CPSU Congress, he became the youngest member of the Central Committee at the age of 40. When he was transferred to Moscow to become a member of the Central Committee Secretariat in 1978, he set another record for being the "youngest." One year later he became the youngest alternate member of the Politburo. When he became the youngest member of the Politburo in 1980, he was 20 years younger than the average Politburo member, and 32 years younger than its oldest member, Yev Persh. The first time he visited England as the head of the CPSU in 1989, his natural poise and eloquence made a deep impression on the Western world, and even Prime Minister Thatcher was forced to praise him as a Soviet who was easy to deal with.

*The second minor factor in Gorbachev's rise to power was his "new-age mentality."*

Despite his many advantages, Gorbachev's rise to the top was not all smooth sailing. His most formidable opponent was Romanov, the Leningrad prefectural party committee secretary and Politburo member in charge of war production, who was eight years older and had the vigorous support of the old bureaucrats from the Brezhnev period.

The history of power struggle within the CPSU naturally includes political differences between two diametrically opposed factions, such as those between Bukharin and Stalin and between Malenkov and Khrushchev, of whom the former two favored giving priority to agriculture and light industry, and the latter two advocated putting heavy industry in command. Just as the latter two won out due to the particular historical setting, the struggle between Romanov and Gorbachev came to a similar end.

Almost all spheres of Soviet society in the 1980's, such as politics, economics, and culture, were characterized by watershed factions. The first faction acknowledged the pluralization of public opinion and social values, respected the individuality of human nature, favored the reduction of military expenditures, and emphasized "a more humane type of socialism." The second followed the Stalinist tradition, by continuing to deny the many contradictions in Soviet society, and advocating the use of centralized administrative means to build "a flourishing socialism." The first faction held that it would be necessary to basically change the functions of the state machinery to achieve its objectives. It was based on Lenin's theory of antiauthoritarianism from the early days of the revolution, felt that human nature was basically good, and favored "conciliation" to change the functions of the state machinery and international diplomacy. The second faction deemed it necessary to strengthen the state machinery and party leadership in order to speed up the building of "a flourishing socialism." Everyone knows the outcome of this struggle. In his speech to the Politburo nominating Gorbachev as the

new general secretary, Gromyko gave his "official guarantee" that "Comrade Gorbachev has the superlative energy, intelligence, and ability that are needed to solve the various problems confronting the party, the state, and society." Thus, Gorbachev's victory was one, the inevitable outcome of historical developments and two, determined by his individual political temperament.

As to Gorbachev's "conciliatory" disposition, the Soviet issues specialist F. Soloyev pointed out in his work, *Behind the High Kremlin Walls*, that, while Gorbachev listens to advice and reason and often revises his views based on it like a paragon of intelligence and learning, on the other hand, Romanov's "disposition and political views have long since been frozen like a lump of unbending ice, and he is absolutely incapable of changing his habits or Stalinist viewpoint." (Chinese edition, p. 244.)

Due to his "new-age mentality," Gorbachev finally became general secretary of the CPSU in March 1985, within four hours of Chernyenkov's passing away.

## WEST EUROPE

**Significance of December EC Summit Discussed**  
91CM0206A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 52, 24 Dec 90 p 45

[Article by Wang Yanlin (3769 1750 2651): "The Pace of European Unification Picks Up"]

[Text] Rome—"A milestone in European development"—This is how German Premier Kohl appraised the 46th European Community Summit Conference held in Rome on 14 and 15 December.

The 12 heads of state were generally pleased about the conference. The conference host, Italian Premier Andreotti, said at the news conference following the meeting that the meeting was "conducted in an extremely cooperative atmosphere conducive to agreement" and "the results were optimal." The West European media also were unanimous in their praise.

Important achievements of this conference were the adoption of instruments for establishing a European political union and European economy and monetary union and the formulation of guiding principles for jointly convening two intergovernmental meetings. The instruments on political union provided for: a greater legislative and oversight role for the European Parliament, including participation in the appointment of the European Commission and its chairman; the formulation of a common foreign and security policy and the establishment of a unified policymaking center and a unified Secretariat; a greater role for the European Commission; a gradual expansion of the role of the political union into security and defense matters; retention of the European Council's basic role of exercising an internal majority vote system to ensure the efficacy and

efficiency of all of the organs of the political union; and establishing the status of a European citizenry. Because the special summit conference in Rome this October had actually already completed preparatory arrangements for economic and monetary union, this conference did not concentrate on discussing it, but distributed the draft charter establishing the European Central Bank to all the heads of state at the meeting.

The conference revealed that the European Community has already taken steps toward establishing European political, economic, and monetary unions. This is an important leap toward European unity.

After the conclusion of the summit conference, they convened two intergovernmental conferences and set the agenda for political union and economic and monetary union. From now on, they will convene a monthly ministerial-level meeting. Ministerial representatives and technical personnel will hold weekly meetings and will submit the documentation that is ultimately drawn up to all of the governments for their approval. If everything proceeds according to plan, European political, economic, and monetary unions will commence from 1 January 1993.

The fact that the conference's documentation was passed unanimously was another important mark of this conference's success. The change of British prime ministers ended the 11 to 1 situation at EC summits in recent years. Certainly this in no way indicates that Britain has abandoned Mrs. Thatcher's views or stand regarding European development, and it seems that they actually cannot. Britain is facing a general election and there are serious divisions within the Conservative Party over European policy. Newly selected Prime Minister Major must consider the receptivity of the country and the party and cannot immediately perform major surgery. It has been revealed that he wants to be given a year to a year and a half to persuade [the country and the party]. The conference's documentation on the content of the political union was not worded in a compulsory manner, giving him maneuverability. Major said that this documentation was a "menu" including several dishes and each person could select what he likes to eat. Andreotti rather appreciated Major's analogy. He said that the most important thing now is that everyone has sat down at the table. Major's attendance at his first EC summit in a "cooperative and constructive spirit" to a certain extent removes Britain's isolation without its taking on any compelling responsibility. Popular opinion believes that his posturing was successful.

Another issue for European development is European security and defense. West European security has always been ensured by NATO. But the changes in East-West relations and the actual disintegration of the Warsaw Pact shake the foundations of the continued existence of NATO. Since the October special summit in Rome, the Soviet Union has signed an "Understanding and Cooperation Pact," a "Good Neighbor, Partnership, and

Cooperation Treaty," and a "Friendship and Cooperation Treaty," respectively, with France, Germany, and Italy. France, Germany, and Italy all have become friendly with the Soviet Union. The European Security Conference held in Paris in November approved the "Paris Charter Establishing a New Europe" which declares that "the period of European antagonism and division has become a thing of the past." This raises a question about the continued existence of NATO. The document approved by this EC summit indicates that political union should be extended to the area of security and defense. French President Mitterrand believes that the role of the West European alliance should be strengthened and the West European alliance could be joined to the political union. But Andreotti in responding to a reporter's question emphasized the fundamental importance of NATO for European security. Observers here believe that Europe needs the security guarantee of NATO to establish a new European balance, but developing a unified Europe also requires that Europe play an even greater role in defense.

In addition to studying Europe's internal development, this summit conference also discussed a number of foreign relations issues, including assistance to the Soviet Union and East Europe, the Persian Gulf crisis, the Middle East, South Africa, and GATT negotiations. The conference issued four statements on the Persian Gulf crisis, Middle Eastern, Lebanese, and South African issues.

The documentation passed by this summit conference laid the foundation for establishing European political and economic and monetary unions. But there are still many contradictions in the way of accelerated unification. The road to European development will not be smooth from here on, and we cannot rule out the possibility of complications.

### EC Market Poses Challenges, Opportunities

91CM0256A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 53, 31 Dec 90 pp 46-47

[Article by Ji Chongwei (1323 1504 1218) and Lu Linshu (6424 2651 2579), State Council's Center for Research on Economic, Technological, and Social Development: "Meeting the Challenge, Taking Positive Action—Thoughts Following an Investigation of the Large European Common Market"]

[Text] This summer we paid an investigative visit to the headquarters of the European Community and held several wide-ranging and thorough discussions with about 40 officials and scholars on the question of the possible effects on China of the proposed single European market. Our overall impression at the end of these discussions is: Most of the objectives put forward by the EC in 1985 could be "realized on schedule" by the end of 1992. Establishment of the large market has progressed smoothly, much accelerated by last year's changes in

East Europe and the unification of Germany. Realization of the large market of the EC will have an important effect on global economics and trade. China, as the largest of the developing countries, will have to face an even more complex situation during the formation of the large market. To allow China to play an active role in the fierce competition in the future large market, it will be necessary for us to adopt certain measures at an early date.

The EC occupies an extremely important position in China's foreign trade. According to statistics from the Chinese Customs Service, China's import-export trade with countries of the EC in 1989 amounted to \$13.97 billion, which accounted for 12.8 percent of China's total foreign trade, making the EC China's third-largest partner in international trade. Statistics of the Ministry of Foreign Economic Relations and Trade [MOFERT] reveal that although direct investments in China by countries of the EC are limited, they have in recent years increased very quickly. In China's imports of technologies and equipment, the EC's share is also comparatively large. In China's economic cooperation with foreign countries, the EC is the most compact group of developed countries, and strengthening and broadening bilateral cooperation is extremely necessary. A certain EC official said, "China is a friend of the EC, and we hope that after 1992 China will become an even larger partner in trade and cooperation with us." We came away from our interviews with the feeling that the attitude of the EC and of the people of Europe toward the Chinese people is friendly, and that they wish for cooperative relations with China.

The EC is embarked on a course toward federation and integration, and as far as China is concerned, this poses challenges as it also offers opportunities, and we have to say that the challenges faced are very serious indeed:

1. After formation of the single large market, trade within the bloc will increase dramatically, while barriers against trade outside the bloc will become stronger. As trade with areas outside the region will weaken, it will be more difficult for Chinese products to enter the EC market.

The single large market will compete with the United States and Japan, and will shield itself against the newly industrialized countries with possibly intensified trade protectionism. Apart from the quota system that is already in place, antidumping will become the essence of its foreign trade policy. The scope of antidumping will be broadened, especially in the case of low-cost manufactured goods. At present, certain products manufactured in China are already subjected to the EC's antidumping actions. For these reasons, China's export product mix at present and for some considerable time to come will consist mainly of products of the light and textile industries. Before exports of machinery and electrical products achieve sizable proportions, opening up the European market and expanding the scope of exports will become more and more difficult.

2. At the same time that trade protectionism will get stronger, once the single large market has been set up, international competition will be fiercer, and China, with its limited competitiveness, will be in an unfavorable position in the competition. China will find itself without favorable trading conditions and will also lack sufficient economic strength and will lack products with forceful competitiveness.

3. China is facing new threats in its traditional markets in Europe for such products as textiles. In the past, China's textiles had been quite competitive in the European market. Due to quotas granted to China by the EC and due to bilateral agreements concluded by China with EC member countries, China is now taking up about 30 percent of the EC's market for textile products. However, in the last few years, the quality of China's export textiles has declined, and delivery times have also not been faithfully observed. After establishment of the single large market, following unification of standards and customs tariffs and after abolition of quotas, it will be a matter of quality and stylishness and who will quote the cheapest prices when it comes to who will dominate the market. Chinese textiles will in future face strong competition from other countries in the EC market, and it is difficult to be optimistic about their future prospects.

At the same time, we must take note of the fact that the unified large market will also create for China some favorable opportunities. The single large market of the EC will in the future comprise 350 million people, much more than the 250 million people of the U.S. market and the 200 million people of the Japanese market. It will become the world's largest and best developed market, which will be favorable for the expansion of Chinese exports to the EC. If only we will rouse ourselves to vigorous effort, overcome our difficulties, transform pressure into motivation, and take more positive action, we shall definitely be able to meet this challenge. The following are some suggestions presented for reference by China's relevant authorities and enterprises:

1. We must reexamine and reformulate China's strategy toward the EC. Following the changes in the East European situation and the end of economic sanctions against China by Western societies, the EC and its member countries will gradually resume and broaden their trade with China. We must decide as quickly as possible on a medium- and long-range strategy for West European economic relations and trade, and, furthermore, in our macroeconomic policy and industrial policy, ensure implementation of this strategy, so as to enable China to take full advantage of the opportunities which the establishment of the single large market will offer for our trade with West Europe. We must energetically promote development of economic relations and trade with West Europe.

2. In the future, there will be fierce competition in the European market, North American market, and in the Asian-Pacific market, with less and less consideration



given to politics. In view of this fact, China's enterprises must, in psychological respects, persistently foster and continuously strengthen their awareness of the factor of competitiveness, and must make raising product quality and competitiveness the firm and basic element in their activities. They must make efforts to develop high-quality and high-grade products, must energetically participate in international competition, and thus protect and further expand China's share in the EC market. At the same time, we must establish coordination among all enterprises as to prices quoted to abroad, to prevent competing with each other by lowering prices.

3. We must systematically study all laws and regulations that relate to the establishment of the single large market, especially those that are directly or indirectly relevant to China's exports. This must then be the basis for the formulation of appropriate countermeasures; our efforts must be to effectively concentrate on the objective of expanding exports to West Europe.

We must particularly emphasize the need to immediately organize a force to investigate and study the technical standards for the EC's import goods, and we must, furthermore, determine and establish certain strictly target-oriented enterprises and bases with an appropriate operational capacity for the manufacture of export products particularly destined for the EC.

4. We must enhance collection of information on the large European single market and provide information to all relevant departments and enterprises in China on all aspects of the large market, such as price quotations in the market, product standards, policies and legal provisions relating to the large European single market, investment trends, new technologies, consumer psychology, and policies toward China by the various governments.

MOFERT, and its subordinated specialized national companies and export chambers of commerce must

adopt effective measures to coordinate in a unified way all import-export with the EC trade conducted by the various provinces, municipalities, and corporations. Coordination is particularly necessary for pricing import-export products and the designation and targeted manufacture of products. Efforts must be made to have unified control, flexible business operations, and we ourselves must take care to avoid cutting each other's throats.

5. Most important at present is protecting and preserving our traditional markets in EC territory. On the one hand, we must at all times promptly renovate and update traditional products, improve quality, change style and design, and increase varieties. On the other hand, we must, for the transitional period before quotas are abolished, endeavor to have the EC reserve a certain quota quantity for China and allow China a somewhat longer transitional period.

6. Strengthening cooperation with import firms in the various countries of the EC must have our serious attention. This is not only beneficial for having Chinese products break into the West European market, but equally helpful in inducing China to promptly develop marketable new products to broaden China's share in the West European market.

7. We must increase in proper stages China's direct investments in the EC, with the intention of establishing, before 1992, corporate overseas bases for local production, marketing, and servicing of certain commodities, and to gain a "window" toward the EC for economic cooperation, so as to lay the foundation for a firm foothold within the large market.

8. We must promptly adjust China's foreign trade structure, achieve a more orderly conduct of foreign trade, and, while always protecting China's present markets, strive to expand China's trade with Europe.

## NATIONAL AFFAIRS, POLICY

### Economists Forecast 'Moderate Growth' in 1991

HK0901110191 Beijing CEI Database in English  
9 Jan 91

[Text] Beijing (CEI)—The Chinese economy will experience a moderate growth in 1991 despite potential unstable factors, economists forecast.

They said the economic growth in 1991 will also be boosted by social demand as happened in 1990.

Under their forecasts, China's investment in fixed assets will increase by 10 percent, with bigger increases in national investment, foreign borrowings and capital loans. Nevertheless, the planned level of 500 billion yuan of fixed asset investment is unlikely to be achieved.

Individual income will rise by 8.5 percent, with a 12 to 15 percent increase for urban workers and a 5 to 8 percent increase for peasants.

Individual consumer demand growth is likely to climb to 10 percent while savings deposits will rise by 10 to 15 percent.

Institutional demand growth will pick up to about 15 percent.

Total demand growth in 1991 is forecast at a moderate 11 percent. This will make no impact on capital goods in short supply or on the market in general.

Supplies by basic industrial sectors are optimistic, the forecasts said.

The agriculture sector will maintain a 2 to 3 percent growth despite a possible 2 to 4 percent drop in grain output. Electricity supply will move up by 8 percent while the raw materials industry will grow by 6 to 10 percent. Freight transport is expected to rise by 3 to 5 percent, and post and telecommunications by 7 percent.

The country's GNP or total social supply growth is forecast at 5 percent, with an eight percent growth for the total industrial output value and five percent growth for commerce.

Market price rise will be from 8 to 10 percent most probably around 8 percent.

### Stability Called Primary Macroeconomic Policy Goal

OW1101075291 Beijing XINHUA in English  
0734 GMT 11 Jan 91

[Text] Beijing, January 11 (XINHUA)—Stability in economic development should be the primary objective of China's macroeconomic policy in 1991 and throughout the Eighth Five-Year Plan period (1991-1995).

This was the view expressed by Zhang Zuoyuan, a prominent Chinese economist, during a recent seminar

jointly organized by the Academy of Social Sciences of China and the XINHUA NEWS AGENCY. The seminar centered around the theme "China and the World: Prospects for the Chinese Economy in the 90s."

Zhang, who is a research fellow and the director of the Institute of Finance and Trade of the Academy of Social Sciences of China, said that to maintain economic stability, it is imperative to prevent economic growth from exceeding a moderate rate. In addition, Zhang said, it is necessary to prevent the return of an overheated economy and an imbalance in aggregate supply and demand, and to guard against and prevent the return of double-digit inflation.

Following these guidelines will facilitate sustained, stable and coordinated development of the economy and aid economic reforms, he added.

China had never been able to properly handle the relationship between economic stability and economic growth, and had often sought economic growth at the expense of economic stability, he said. This had often resulted in great fluctuations and had led to huge losses and excessive waste, he added.

Zhang pointed out that the experiences of other countries, especially developing countries, show that there exists an intrinsic pulse of expansion in economic development, and that without proper control and management, it is very easy for economic development to become overheated.

Zhang criticized some people for exaggerating the seriousness of the sluggish market and for proposing the use of huge amounts of credit and loans to revive it. He said that such a proposition would inevitably push the economy into another round of overheated development and invite a new bout of inflation. This in turn would plunge the national economy into the vicious cycle of inflation-retrenchment-inflation.

He contended that the proper development rate should be in the neighborhood of six percent per annum. Such a growth rate, he calculated, would be enough to enable China to attain the second step in its strategic goal of doubling the 1990 GNP by the end of this century and help raise the people's standard of living to a well-to-do level. The moderate growth rate will also help lessen the pressure to seek a rapid growth rate, especially the pressure to use an expanded macroeconomic policy to stimulate rapid growth.

The most outstanding problem facing China's economic development now is not its speed of growth but rather the imbalance of industrial structure, Zhang asserted. The deficiencies in agriculture, transport, telecommunications, energy, raw materials and the infrastructure have become major obstacles in achieving smooth development of the national economy. Therefore, he suggested, readjustment of the industrial structure should be made the central task for the Eighth Five-Year Plan period.

He spoke highly of the State Council's decision to designate 1991 as the "year of quality, variety and efficiency," saying that this was a good beginning.

Zhang also suggested measures to keep the inflation rate below double-digit figures or, most preferably, between three and six percent.

He warned that the task of curbing inflation after 1991 would become even tougher and the government should be especially cautious in its policy options. He added that the government must avoid the temptation to seek "speed nduced economic results" at the price of inflation.

Zhang advised that China should adopt a cautious financial and monetary policy and be mindful of avoiding inflation while determining the scale of construction and the rate of economic development and social improvement.

Considerations must be made to ensure that any new reform measure does not fuel inflation, he said. He suggested that the price reforms be carried out in steps so as to prevent a rapid rise in the general price level.

#### **Internal Changes 'Key' To Improved Production**

91CE0278A Beijing JINGJI CANKAO in Chinese  
24 Dec 90 p 4

[Article by Zhu Mingchun (4281 2494 2504): "Begin From Within Enterprises Themselves To Bring About a Benign Industrial Cycle"; passages in italics as published]

[Text] Since the market slumped and industrial production slipped in the latter half of 1988, we have taken three steps in the last two years to get the market and production going again, that is, we have tried loans, state procurements, and investment as ways to get the economy started again. During the period, bank lending rate has been lowered twice and enterprise current funds have increased substantially; fixed asset investments have been rekindled and the traditional economic start-up mechanisms are beginning to move again; society's total demand has increased compared to earlier and the market slump has eased. Thus, we can conclude that the overall economic environment has relaxed, and basically we have the external conditions to restart and promote a benign industrial cycle. But we must understand that to really get the economy going and attain a benign industrial cycle, we should not count on an overheated economy and bloated demand. On the contrary, even now, we must guard against the danger of inflation rebounding and the possibility of economic stagflation.

#### **The Key To a Benign Cycle Lies Within Enterprises Themselves**

The key to promoting a benign industrial cycle lies in making substantive progress in readjusting the industrial structure to suit the market changes, and by making

structural improvements we want to make the input-output cycles in industrial production as smooth as possible, so that the true value of the products can be realized in the market. The three steps we went through in an effort to start up the economy again are proof that the key to making enterprises' product-mix meet the market's needs lies far beyond just improving the external conditions. Only if enterprises themselves adjust to the market changes can the benign industrial production cycle be attained. In a certain sense, the market slump in recent years has to some extent created a "buyer's market" in China where the economy is one of chronic shortages, and in turn it has provided us with an opportunity to radically change the way the national economy functions. We must not underestimate the significance of this fact, and we must seize this opportunity to optimize enterprises' management mechanism and greatly enhance their market concept. Realistically, the "market slump" will, to some extent, persist for some time to come, and enterprises must try to understand this kind of economic change and strive to get on a different track as soon as possible and seize the initiative.

Thus, today, we should put the emphasis of further stimulating industrial production on enterprise internal changes and, under the condition that the fiscal policies and monetary and banking policies remain basically stable, concentrate our efforts on promoting the optimization of enterprise product-mix and organizational structure.

*Improving the product-mix and the product quality to meet the needs of market development:*

Under China's current situation where there is substantial purchasing power in society, where the citizens have nearly 700 billion yuan in savings, and where there is tremendous potential market demand, the market slump is but a structural problem afflicting certain products relative to other products. To overcome the market weakness, the key is to improve the product-mix and the product quality to meet the highly developed market demands. Thus, we must encourage enterprises to blaze new trails and give full play to the entrepreneurs. We should use credit and taxation and other means to encourage enterprises to develop new products and upgrade old products and lend help to enterprises that have stopped production. In enterprise contracting, we should give priority to the development of new products. Meanwhile, we should emphasize the task of market supervision, crack down on goods of inferior quality, and help the new and better products plant a firm foothold in the market even faster.

*Strengthen enterprises' market operation and sales, allow enterprises to gear directly to the market, and enable them to adjust better to the buyer's market:*

So far this year, there has been a significant increase in the amount of goods enterprises sold on their own. Incomplete data show that these direct sales have

increased by more than 10 percent compared to last year, and the goods now make up 53.5 percent of their total sales, 3 percent more than what they sold on their own last year during the same period. Besides export, this is the main reason for the rebound in product sales. We cannot just rely on businesses to act as a reservoir. Only by getting the products into the hands of the consumers can we talk about a market for goods. Moreover, the fact of the matter is, the reason domestic businesses and the goods and materials system have purchased fewer goods so far this year is because they worry about sales. Thus, both industrial and commercial enterprises are facing the issue of making more sales, and they should use installment payment or door-to-door delivery and other ways to enhance their management and sales capabilities to suit the buyer's market.

### **Thorough Enterprise Reform Is Fundamental To Attaining a Benign Industrial Cycle**

One of the main reasons enterprises are at a loss as to what to do now that they are under pressure from the market to make product price, quality, and structural adjustments is that they have no decision-making right and cannot decide for themselves what price they can charge and how much investment they should make. On the other hand, despite the market slump and a product-mix that does not meet the market demand, enterprises are still secured in the knowledge that they have strong backing and can afford to wait and see and demand equal chance for "survival," and that the status quo be maintained. All these are abnormal phenomena dictated by the system. Putting the emphasis of revitalizing the market and production on enterprises themselves also implies picking up the pace of enterprise reform. After enduring two years of market slump, enterprises are tempered by the stormy market. They should seize the opportunity to make a radical improvement of their management mechanism, correct their short-sighted behavior, intensify their reform effort, and make enterprise reform the focal point of reform again.

1. When readjusting prices, we should give enterprises more power to set prices and encourage them to lower the price of goods that are not selling so as to dispose of them. Price is the heart of the market mechanism. To some extent, lowering the price is the most effective way to promote sales. Market slump accompanied by high prices are an abnormal product of the system. As we concentrate on readjusting the price relations and smoothing out the product price parities today, we must give enterprises more power to make price decisions under certain conditions and further reduce the proportion of goods subject to state-set prices, and increase the amount of goods enterprises may sell on their own. In particular, we must encourage enterprises to be decisive about cutting prices to dispose of products that are not selling—for example, we can consider a sales tax exemption when they are selling overstocked goods at reduced prices.

2. While we gradually separate tax and profit and require after-tax debt payment to normalize the relationship between the state and enterprises, we must pick up the pace of enterprise structural reform and radically change enterprises' short-sighted behavior. Currently, by upholding and promoting the factory director responsibility system and the contract system, we should encourage more pilot projects to test the shareholding system and permit the massive issuance of stocks in some localities to directly absorb social investments and solve the problem of inadequate enterprise funds on the one hand and increase enterprises' sense of responsibility toward their property rights, and on the other hand, radically change their short-sighted behavior, so that they will readjust the product mix and enterprise organizational structure even more consciously to meet the market demands.

3. We should encourage the development of enterprise groups which can help optimize the product mix and enterprise organizational structure. As for the development of existing enterprise groups, the key lies in changing the "three fixes," solidifying them, and strengthening their long-term concept. To this end, we should promote enterprise mergers or voluntary formation of enterprise groups under the shareholding system, and we should reduce administrative interference. Of course, merging enterprises under the current conditions would require some necessary administrative interference in the enterprises being taken over and the organ in charge of those enterprises.

4. We must create the conditions to speed up the development of the insurance industry, set up and perfect the social security system step by step, and spread or lower the cost of enterprise readjustments.

### **Enterprises Begin Second Round of Contracting**

91CE0279A Beijing JINGJI CANKAO in Chinese  
24 Dec 90 p 1

[Article by reporter Ding Genxi (0002 2704 0823): "The Second Round of Contracting Begins in Earnest and Making Good Progress"]

[Text] So far, more than 50 percent of the industrial enterprises nationwide have implemented the second round of the contract management responsibility system. It is projected that by year end, industrial enterprises in most localities around the country will have completed their first round contract tasks. A handful of localities that have run into more problems will wrap up their work in the first quarter of next year.

Since the second half of this year, except for Shanghai Municipality where the first round contract does not expire until 1992 and therefore there is no new contract duties at this point, industrial enterprises in all provinces and cities have gone over and have a good idea of the second round contract tasks and have drawn up programs and have entered the contract signing stage. Preliminary statistics show that by the end of November,

overall, more than 50 percent of the enterprises have entered the second round contract, but progress has been uneven. Some provinces will not be able to complete their first round contract until the first quarter of next year.

Judging by the progress enterprises are making, on the whole, the medium-sized and small enterprises are moving faster than the large enterprises and prefectural and city enterprises are moving faster than provincial enterprises. With respect to the contract terms, most medium-sized and small enterprises have opted for 2- or 3-year terms and large enterprises generally prefer a five-year term.

"Stability above all" has become a distinct characteristic of the new round of contracting. In this respect, the localities generally are emphasizing two points: One, they emphasize policy stability and insist on fixed contracts. Two, they want a stable management team. They want more stability and less adjustments, and want to see the factory directors shoulder more responsibilities. In preparing the new contracts, the localities have formed capable leading groups, headed by the provincial governors in charge, the mayors, or prefectural and city leaders, to coordinate the linking of the two contract periods.

In proceeding with the second round contracting, the localities are paying more attention to tackling some of the problems encountered in the previous round. This is another distinct characteristic of the second round contract. Briefly, the localities have taken steps to address the following five issues: One, in determining the contract base, they are abiding by the principle of "putting more emphasis on stability and less on adjustments and ensuring the state's revenues while conserving their own staying power." Looking at the contracts already signed, the overall contract base is higher than the previous round's, on the average by more than 4 percent. For example, Beijing Municipality's contract target is 13.7 percent higher under the Eighth Five-Year Plan than the Seventh Five-Year Plan. Two, the current contract method is better than the previous round's. For example, Shandong's Zibo City has adopted the method of "determining the contract base by type and by grade, and enterprises may choose their own contract grade," which solves the problem of "one to one" negotiation. Three, they are paying attention to perfecting the enterprise self-restraining mechanism and are putting the emphasis on perfecting enterprises' internal management responsibility system, establishing sound enterprise technological transformation assessment norms, and ensuring proper use of various funds. Four, with respect to the contractors, it is primarily enterprises that enter into and sign the contracts as legal entities. The terms of the contracts are discussed in detail by the workers congress, and after signing, the contracts are implemented level by level through the internal economic responsibility system to give expression to the spirit of collective contracting. Five, with respect to the manager's personal

income, a limit has been set and a sound checking and verification method has been formulated.

It is worth pointing out that, because of the large number of contracts expiring this year, there is a lot of checking and auditing work to be done, and because some localities have adopted more tedious methods, to some extent, they will affect the progress of linking the two contract terms. In view of this situation, leading comrades of the State Council's production commission urge that the task of linking the two contract terms is an important one; the localities must provide stronger leadership and do a good job.

### Finance Ministry Targets Unprofitable Enterprises

91P30087A Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 1-2, 1 Jan  
91 pp 85, 84

[Summary] The increasingly large losses incurred by state enterprises in recent years have created great difficulties for state finance. To reverse the trend of state enterprise unprofitability, the Ministry of Finance has drawn up several new measures:

1. For those enterprises whose losses are caused by state policy, the state will assess each enterprise and establish appropriate subsidy ceilings. If an enterprise manages to reduce its losses, it will be given a certain percentage of the remaining subsidies.
2. The state will no longer provide subsidies to money-losing enterprises whose products are now free from state price restrictions.
3. For those enterprises whose long-term losses are the result of mismanagement but whose products are still marketable, open competitive bidding will be conducted to select better managers. As for those enterprises whose products are not marketable and which have no way to renovate or switch to other production lines, auctions and mergers may be conducted after obtaining official approval.
4. Enterprises that are profitable as a whole but continue to run certain unprofitable operations must devise plans to reverse the losses within a definite period of time so as to avoid the past practice of using profits to offset losses.
5. All unprofitable wholesale, trading, and material supply companies must be resolutely dissolved or merged.
6. Except for special circumstances where approval is required, the state will no longer subsidize new or additional losses incurred by enterprises this year.

### **Vice Commerce Minister Discusses Price Reform**

91P30087B Wuhan JINGJI XINXI BAO in Chinese  
8 Dec 90 p 1

[Summary] Vice Minister of Commerce Zhang Shiyao views price reform as an important policy and recommends that it be conducted systematically and steadily through planning.

He believes that enhancing price management of products vital to peoples' lives and maintaining stable prices for daily necessities are essential during rectification. Giving guidance, imposing price ceilings, or setting up a price reporting system may be applied when necessary.

Zhang suggests the following research be undertaken to promote structural reform of prices:

1. For the purpose of reducing large state subsidies, we should study those products whose selling price is insufficient to cover production costs and gradually adjust their prices.
2. We should study the rational parity price between grain and other agricultural by-products.
3. Based on state industrial and consumption policy, we should look into appropriately adjusting the prices of certain industrial goods to reform properly the industrial and consumption structure.
4. We should study the differences between buying and selling prices among wholesalers and retailers.
5. We should study how to make greater use of existing price differentials between wholesale and retail prices, seasonal price differentials, and regional price differentials.

### **Leasing Enterprises Face Hardships, Number Drops**

91P30087C Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 38-39,  
1 Oct 90 p 17

[Summary] Difficulties encountered by leasing enterprises have caused their number to decrease drastically in recent years. In Shenyang, for instance, where enterprise leasing has been running relatively well, the number of leasing enterprises has dwindled from 1,634 in 1989 to around 900 at present. None of the factory managers who have been leasing in Tianjin and whose leases are now up for renewal has signed up for another term. The difficulties they have encountered can be summarized as follows:

1. External changes. The market slump and credit crunch in the second half of 1989, and uncoordinated reform policies in particular, have created much hardship and pressure on leasing enterprises which are already bearing the biggest risks under the contract management system.

2. Leasing enterprises frequently suffer from undue discrimination in their operations. After a lease contract is signed, the government no longer supports the enterprise as in the past, so nearly all lessees feel isolated when there is trouble. When drafting and implementing state policy, some government organs even treat the lessees the same as private enterprises. As a result, enterprise lessees all want to relinquish their burden after their current contracts expire.

3. Enterprise workers and people in society vilify managers who earn higher salaries. More than 90 percent of enterprise lessees in Tianjin dare not accept the extra pay specified in their contracts.

### **Discussion of Current Regional Trade Blockades**

91CE0158A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 10, 11 Oct 90  
pp 13-17

[Article by Li Youpeng (2621 3945 7720), State Council Development Research Center: "An Initial Study on the Current Regional Blockade Problem"]

#### **[Text] I. The Basic Situation of the Current Regional Blockades**

In order to get rid of the problems caused by the sluggish market as quickly as possible, the central government has adopted a series of fine-tuning measures to stimulate the market since the beginning of this year. During the process, the local governments have also adopted measures to protect the development of local industries and increase the purchasing and marketing of local products. These local measures have developed into regional blockades, a phenomenon that is quickly spreading throughout the country.

The current regional blockades have started in the course of a continuing sluggish market, and therefore are different from the blockades on raw and semifinished materials in the period of overheated economic growth a few years ago. The current regional blockades are characterized mainly by the closing of the market of manufactured goods to outsiders, that is, the adoption of all kinds of measures to prohibit or restrict products from other parts of the country to enter the local market to insure the purchasing and selling of local products. Because the current regional blockades are enforced in the name of improving the economic environment, rectifying the economic order, and stimulating the market, their scale and momentum have reached an unprecedented level since the founding of the People's Republic.

In content, the current regional blockades involve many kinds of goods. The number of products prohibited or restricted to enter the local market by various localities ranges from more than 10 to nearly 100. The blockades are focused mainly on goods which are produced in most parts of the country, such as television sets, refrigerators, washing machines, and other high-grade durable consumer goods as well as cigarettes, alcoholic beverages,

textiles, cement, and agricultural machinery. As the product mix differs from place to place, so does the focus of the blockades. Generally when locally produced goods are inferior and uncompetitive, the same kinds of goods are most seriously blocked from other places.

There are many forms and methods of regional blockades, including mainly the following: 1) prohibiting or restricting products from other places to enter the local market by explicit orders; 2) banning products from other places in the name of strengthening market management and technical supervision and cracking down on fake and shoddy goods; 3) using the local government's economic control power to raise the price of goods from other places, readjust the regional price difference, and artificially increase the competitiveness of local products by granting tax reductions or exemptions, loans on favorable terms, price subsidies, and bonuses; 4) blocking the channels for wholesalers to purchase goods from other places in the name of "strengthening planning and management and putting the wholesale business in order." Many localities have also increased the purchasing and selling quotas for local products in contracts signed with the enterprises, with big rewards for fulfilling the quotas and heavy penalties for failing to do so.

The current regional blockades are extremely extensive, involving most of the provinces and cities and happening at many levels. Trade barriers exist not only between provinces, but are also very serious among cities and counties in the same provinces. In many cases, the cities and counties are the first to set up trade barriers against each other. In addition to closing the market to other places, the blockade on raw and semifinished materials remain very serious in some places. The debt chains, which are very common nowadays, are to a certain extent a manifestation of the regional blockades in the financial sphere. And the separation of urban and rural markets and the blockade between trades are manifested in the sharpening contradiction between state-run commerce and the supply and marketing system. In some places, the supply and marketing system prohibits purchase of goods from the commercial system, and in other places, local commercial departments prohibit supply and marketing cooperatives to engage in wholesale of industrial products.

Attitudes toward regional blockades differ. There are forces for closed market and forces against it. Many industrial enterprises and departments in charge of them are bent on closing the markets to outside competitors, while the commercial departments and enterprises tend to be more prudent. With the coexistence of the diverse economic sectors, it is difficult to enforce the blockade on the individual traders. This inevitably weakens the competitiveness of state-run commerce and affects its sales and earnings. The commercial enterprises, as units under contracted management, are more likely to follow the principle of buying goods on a selective basis. The local governments generally have mixed feelings about the regional blockades. Taking the interests of the whole

into consideration, they feel that the regional blockades and dumping of shoddy goods at the expense of buyers are wrong, but they are also under a lot of pressure to do so. Generally regional blockades work like a chain reaction. At present, some localities are still in the process of setting up trade barriers, while others are actually enforcing them. The few areas where trade barriers have yet to be planned, will feel they are being treated unfairly and retaliate. The phenomenon of regional blockades tends to further develop and escalate.

## II. An Analysis of the Causes of Regional Blockades

Although regional blockades are acts of local governments, the causes of this rapidly spreading phenomenon are extremely complicated. The major causes generally include the following:

1. The direct cause of regional blockades is the sluggish market. Because of the relative firmness with which the measures of economic improvement and rectification were implemented and the momentum with which the macroeconomic retrenchment was carried out in the past year or more, the resulting fall in market demand has been fast, involving a wide range of products, and continuing for a long time. The fall in market demand has also led to overstocking of industrial products, reduced production speed, suspension or semisuspension of business operations, and mounting employment pressure. In the central-west regions, because of their technical and economic backwardness and because their products are not competitive, the continuing sluggish market has only worsened the already grim economic situation. As the local governments are directly responsible for local economic growth, employment, and economic and social stability, and when these goals are threatened by the sluggish market and are called upon to protect themselves and "local interests," they have no choice but to resort to all kinds of trade barriers as emergency measures to bar the more competitive goods from other places, so that more of the overstocked local products can be sold, and the hard-pressed local productive enterprises can be given a shot in the arm.

2. Although the present system of dividing revenue and expenditure between the central and local governments has helped overcome the problem of everyone eating out of the same big pot and encouraged the local governments to take charge of their own finances, it has also placed greater emphasis on local interests. Especially with the assignment of financial quotas and contracted financial responsibilities by the provincial government to the lower levels, the local governments at various levels now all have their own clearly defined responsibilities and interests. The economic interests of different levels of governments do not always coincide, and sometimes conflict. In the course of the economic reform, owing to the relatively weakened ability of the central government to exercise direct control and the greatly increased economic management powers and regulatory means of the local governments, it is difficult to guarantee the fulfillment of the overall interests when there is

conflict between the overall and local interests and between the interests of the central and local governments. On the other hand, in the course of the reform some powers are delegated to the local governments instead of the enterprises, and this has resulted in the integration of government administration with enterprise management in the new situation and provided the objective conditions for the local governments to interfere too much in economic affairs by administrative means. And the financial contracts of enterprises have to a certain extent increased the mutual dependence between enterprises and local governments. As the local financial situation and economic development are tied closely to the production and operation of the enterprises, protection of local industry is actually a form of protection of local financial interests.

3. Regional blockades are a manifestation of the imbalance in regional interests in the course of China's economic development and structural reform. In regional division of labor, owing to historical reasons, China's processing industries are concentrated in the eastern coastal regions, while energy and raw and semifinished materials are produced mainly in the central-west regions. China's existing price system is, on the whole, unfavorable to the basic industries, thus giving a greater comparative advantage to the eastern coastal regions. In the past, this regional disparity was covered by the financial system of centralized state control over revenues and expenditures, under which the local governments had little to say about the distribution of revenues, and the central government could invest funds taken from the richer eastern coastal regions in the poorer central-west regions for construction and exploitation of resources. However, since the inception of the reforms and opening to the outside world, especially since the reform of the financial system, on the one hand, with the recognition and strengthening of local interests, the number of interested bodies have multiplied; on the other hand, with the division of revenues and expenditures between the central and local governments, and thus the ending of centralized control over expenditures, the mechanism for the east and west regions benefitting each other has been weakened, thus the state has failed to provide or create the necessary external conditions for the exchange on equal terms and the rational division of labor between the east and the west. Not only has the state failed to fundamentally improve the irrational price structure, but it has, in the course of the reforms and opening to the outside world, adopted policies in favor of some regions at the expense of others. As a result, though the decade of reform has greatly accelerated national economic development as a whole, and though the economic strength of the central-west regions has obviously increased, the gap in relative economic development between regions has been widened further, and the conflict of interests and friction between regions have intensified continuously.

As a direct result of the imbalance between regional interests, a serious problem of "duplication" has developed in the geographical distribution of China's industrial structure. The central-west regions, aspiring to catch up with and overtake the more developed regions and unwilling to be the "third world" forever, have actively developed certain processing industries in conjunction with the exploitation of their natural resources to add to their income. Even among the developed regions, duplicate imports and overlapping construction are also very common. At the same time, prefectures, cities, and counties in the same province or region tend to each form their own system. The way each region has independently developed economically has led to a similarity of economic structures in all the regions and a relative surplus in the production capacity of the processing industries. New industries, producing refrigerators, color television sets, washing machines, etc., have mushroomed in all parts of the country in the past few years; the regional distribution of existing industries, including textile, machinery, etc., are seriously irrational; and the production of grain, cotton, hogs, and other important agricultural and sideline products is faced with many problems. The irrational regional distribution of the industrial structure is the basic reason for the rapid spreading of regional blockades at present, and the imbalance between regional interests is a root cause for the similarity of regional economic structures. Both the restriction of the outflow of scarce resources when market supply falls short of demand and the banning of competing products from the outside when the market is sluggish are reflections of the conflict of interests and frictions between regional economies.

4. The present pricing principle for some commodities is favorable to the producing areas, but unfavorable to the selling areas. Owing to the big regional price differences and the way prices go up from one place to another, the circulation enterprises are often not interested in selling local products. This has an adverse effect on the marketing of local products and also causes some products to be circulated irrationally. Moreover, the strictness with which marketing policies are enforced varies from place to place, and some areas have dumped their products in other places by such means as price cuts and tax reductions, which have caused the resentment of the local governments and enterprises and forced them to adopt certain protective measures.

### III. The Harmful Effects of Regional Blockades

The direct motive of local governments in setting up trade barriers is to protect local economic interests. But from a long-term viewpoint, regional blockades not only hurt the macroeconomy as a whole, but also have an extremely adverse effect on the economic development and the people's living standard in the areas setting up trade barriers, hinder the development of their economic potentials, and aggravate their economic difficulties. As regional blockades are now very common and getting worse, we should have a sober and complete understanding of their harmful and negative impact.



1. Regional blockades have undermined the integrity and effectiveness of the macroeconomic policies, increased the difficulty of state macroeconomic regulation and control, weakened the state's ability to regulate and control, and rendered various economic levers useless. Since the beginning of this year, in view of the sluggish market, huge stockpiles of unsold manufactured goods, and widespread defaulting in debt repayments, the State Council has adopted a series of fine-tuning measures to stimulate the market and invigorate circulation, including loans extended to state-run circulation departments at preferential interest rates to help them work more effectively as the main channels to supply and regulate the markets and to purchase and store up more of the commodities which seem to be plentiful at present and will be needed in the future. However, many local governments have used the measure to force local commercial departments to purchase local products indiscriminately. As a result, the loans are shunned by many commercial enterprises and cannot produce the intended result in stimulating the market. The state has provided some funds to help settle the debt chains, but little progress has been made, because many local regulations restrict repayment of debts owed to outside creditors, and because new debts are incurred while old ones are being repaid. Taxation was an important regulatory means embodying the national industrial policy, but it has now become a "lever" for many localities to protect their own interests. The consequence of all this is very serious. Some proven effective macroeconomic regulation and control measures now often do not work and sometimes even defeat their own purposes.

2. The essence of regional blockades is to protect the backward enterprises and obsolete and shoddy products, which definitely hinders the readjustment of the industrial structure and product mix and works against the goals and policies of economic improvement and rectification. In the period of economic improvement and rectification, we have the twofold task of controlling total supply and demand and readjusting the industrial structure. Initial success has been achieved in controlling total supply and demand, though a price has also been paid by the whole economy. Now we are in the crucial stage of readjusting the industrial structure. The backward enterprises with high production cost and low product quality are now faced with tremendous pressures. Whether or not the pressure of market competition resulting from the policy readjustments can be turned into a driving force for the enterprises to improve management and operation and raise technological standard depends on the external policy environment of the enterprises. If each locality tries to protect its own backward enterprises by setting up trade barriers, the entire goal of the policy readjustment will certainly become unattainable, and another golden historical opportunity will be lost. It will also become a major hidden problem to the sound development of the national economy as a whole in the future.

3. The regional blockades have not only reduced the positive effect of market regulation and hindered the

formation of a unified socialist market, but also undermined the seriousness of the mandatory plans and aggravated the economic fluctuations. One original intention of the economic reform is to achieve the organic integration and unity of the planned economy with market regulation and, under the management and control of state plans, create an environment of fair competition for enterprises. However, in the waves of regional blockades, the nationwide unified market, fragile to begin with, is again dismembered and divided; the newly established purchasing and selling channels are again blocked up; the lateral economic ties between regions are further weakened; the extent to which mandatory plans are fulfilled is decreasing; and even existing orders for goods are being cancelled. As a result, neither the state plans nor the market can play their proper roles, seriously affecting the normal operation of the national economy. When supply falls short of demand, the blockade of resources will expand what begins as a regional structural shortage into a nationwide shortage. With a sluggish market, trade barriers will aggravate the sluggishness and thus affect the steady development of the national economy as a whole.

4. The irrational geographical distribution of the industrial structure is one of the root causes of the regional blockades, and the regional blockades further encourage the "large and all inclusive" and "small but all inclusive" industrial systems and distribution of productive forces, worsen the phenomenon of structural similarity of regional economies, hinder the rational flow and optimum organization of essential production factors in society as a whole, and impair the cohesiveness of the national economy and the overall efficiency in the allocation of resources.

5. The regional blockades have further insured the lack of separation between government administration and enterprise management, prevented state-run commerce and the supply and marketing system from playing their role as the main circulation channels, reduced their operational vigor, and weakened their competitive power, at the direct expense of the consumers.

#### **IV. Suggested Solutions to the Problem of Regional Blockades**

Because the causes of regional blockades are complicated, and because the damages are very serious, both temporary measures and permanent solutions are needed to break up the blockades. It is suggested that certain emergency measures be adopted as soon as possible to check the current tendency of regional blockades to further develop and escalate.

1. A document should be prepared and published as soon as possible as a formal decree to strictly forbid the localities to engage in regional blockade, declaring all blockade-related articles issued by the localities null and void and calling on local law-enforcement organizations and business units to consciously resist blockade activities. In case unauthorized new blockade measures are

put into effect by any locality, the leadership will be held responsible. At the same time, efforts should be made through the news and propaganda media to step up public opinion and propaganda work, clearly explain the harmful effects of regional blockades, and achieve unity in thinking and understanding.

2. The sluggish market is what causes the current escalation of regional blockades, and revitalization of the market will to a certain extent help remove the regional blockades. Although the series of fine-tuning measures adopted since the beginning of this year have enabled industrial production to pick up speed, there is no sign of obvious improvement in the field of commodity sales and circulation, and efforts must be made to prevent the past mistake of producing for the sake of inventory from being repeated. At present, we should stick to the principle of control over total supply and demand, when necessary, readjustment established at the beginning of this year, continuing to adopt measures to stimulate the market and circulation and support production growth, which will invigorate the market. For example, technological transformation and investment in capital construction should be given priority; control over institutional purchases should be relaxed somewhat; and the healthy development of private commerce should be encouraged and supported. In the current situation of a sluggish market, the moderate development of private commerce will not only help reduce the employment pressure, but also contribute to breaking the regional blockades and invigorating the market and circulation.

3. With regard to certain important commodities, which concern the national economy and the people's livelihood but supplies are seriously affected by the blockades, the State Council and relevant coordinating and competent departments should work in concert to find solutions as quickly as possible.

4. With a sluggish market and slow sales, some localities have adopted mutually beneficial policies to provide markets for each other and develop joint ventures and joint sales activities. This is not only conducive to removing the regional trade barriers, but can also help stimulate the sluggish market. It is worthwhile to be vigorously encouraged and popularized.

5. In conjunction with the economic improvement and rectification, efforts should be made to rationalize to the extent possible the price differences between the producing areas and the selling areas. Major policies involving commodity sales may not be relaxed by the localities at will, and improper practices in commodity sales should be eradicated.

From a long-term viewpoint, to eliminate regional trade barriers and market blockades, it is necessary to take some radical measures to get at the root of the problem. Efforts should be made to strengthen market laws and regulations, coordinate and balance the interest relations between the central government and the localities and different regions, continuing to carry out in-depth

reforms and strengthen the industrial policies, and remove the root causes of regional blockades step by step.

1. Market laws and regulations should be strengthened to suit the country's needs in developing a planned commodity economy. In the decade of reforms, the scope and proportion of market regulation have been expanded, and at the same time the relevant departments have also formulated and promulgated a number of commercial and market laws and regulations. But, on the whole, the market laws and regulations are still obviously rudimentary, inadequate, and not effectively enforced and supervised. There are often different, even contradictory and conflicting, laws and regulations between the central government and the localities and between different departments. Some laws and regulations are already out of date, but have not been revised in good time. For some time from now on, we will be faced with an arduous task of strengthening the market laws and regulations; every link from legislation to supervision and enforcement will need to be vigorously strengthened, improved, and perfected. Major commercial and market laws and regulations, for example, those against monopoly and regional blockade, protecting competition, and so forth, should be submitted to the NPC for legislation as soon as possible to increase their authority. Also, in order to insure the uniformity and validity of laws and regulations, an examination and rectification should be carried out on all the existing market laws and regulations.

2. The present financial system and the tax system should be improved, and the transition from the financial contract system to revenue sharing should be carried out step by step. In designing and implementing the reform plan, attention should be paid to properly handling the interest relation between the central government and the localities and between various levels of government and enterprises, and the regulation of local enthusiasm to increase income should be combined with efforts to prevent local governments from depending too much financially on local enterprises to push forward the reform to separate government administration from enterprise management. At the same time, the present system for evaluating the performance of local government cadres, which has also objectively strengthened the local governments' utilitarianism and led to their short-sighted activities, should be reformed in good time to gradually eliminate the root cause of regional blockades in the system.

3. In the course of economic development and structural reform from now on, while continuing to bring the economic advantages of the east coastal areas into play, attention should be paid to harmonizing regional economic relations, and efforts should be made to create the external environment and conditions for equal competition and common development between different regions, suitably reducing the regional gap in economic development and the people's living standards. To harmonize regional economic relations, efforts should be

made in many fields. In the field of price policy, it is necessary to achieve through the reform of the price system a more equitable interest relation between the manufacturing industrial areas and the raw and semifinished materials and energy producing areas. Certain highly profitable industries should give suitable compensations to the raw materials producing areas in the form of returned profits. In the field of industrial policy, in addition to eliminating a number of backward manufacturing enterprises in the central-west regions, consideration should be given to upgrading the industrial structure and vigorously developing the export-oriented economy in the east regions so that they can turn further toward the international market, leaving a suitable portion of the domestic market and development room for the manufacturing industries in the central-west regions. At the same time, in the course of deepening the reform, the difference in the policies of reform and opening to the outside world between the regions should be gradually reduced.

4. Practical means are needed to readjust the industrial structure and implement the industrial policy, and newly established enterprises must follow the state's industrial policy, so that the geographical distribution of China's industrial structure can make the change gradually from structural similarity to division of labor in order to really develop each region's strong points, avoid its weakness, and make full use of the economic advantages of all regions.

5. Vigorous efforts should be made to expand lateral economic ties and develop transregional and intertrade enterprise groups. Through the measures to deepen the reform, efforts should be made to accelerate the development of markets and improve their organization. In market organization and development, it is necessary to follow the principle of providing different types of guidance according to the supply-demand and circulation conditions of different commodities. The development of standardized and unified markets should be accelerated for some types of commodities, which have been more successfully regulated by the market in the course of the reform. For certain types of commodities, which have caused more obvious contradictions and problems in the market and circulation in recent years, regional common markets should be organized on the basis of voluntary participation and mutual benefit, and the contradictions and frictions in commodity circulation should be eliminated by relying on the lateral association and cooperation between the regions.

#### **Retail Sales Volume Projected To Rise 9 Percent**

*OW1401055291 Beijing XINHUA in English  
0416 GMT 14 Jan 91*

[Text] Beijing, January 14 (XINHUA)—The total volume of retail sales in China this year will reach 900 billion yuan, a nine percent increase over 1990, according to preliminary estimates from the Ministry of Commerce.

In the first half of this year it will increase seven percent and in the second half, 11 percent, today's ECONOMIC DAILY reported.

The paper analyzed that purchasing power for everyday items will expand this year because of wage increases and higher incomes for farmers.

It is estimated that the total volume of wages will reach 24 billion yuan this year, a 8.6 percent increase over last year and the average income per farmers will reach 671 yuan, a 7.6 percent increase over 1990.

## **PROVINCIAL**

### **Jiangsu Urban Residents' Income Increases**

*OW2202075391 Beijing XINHUA in English  
0138 GMT 22 Feb 91*

[Text] Nanjing, February 22 (XINHUA)—A sample survey shows that the actual income of urban residents in east China's Jiangsu Province increased in 1990 following three years of decline.

The per capita average income of the province's urban residents reached 1,464 yuan, a 6.7 percent increase over the previous year.

The survey, conducted by the provincial statistics bureau, covered 2,220 families among 25 cities and counties throughout the province.

With its industrial and agricultural output value for 1990 totalling 243 billion yuan, ranking first among all the provinces on the Chinese mainland, Jiangsu is one of the richest provinces in China.

The survey shows that the per capita wage income of the urban residents increased by 59 yuan or 5.9 percent compared to 1989.

At the same time, the per capita bonus income decreased by 32 yuan, or 12.8 percent compared to the previous year. This shows that the central government's efforts to curb excessive distribution of bonuses has been successful.

Some 35.1 percent of the surveyed urban residents earned less than they did last year, compared with 54.6 percent for 1989.

### **Shaanxi Residents' Livelihood Improves 1986-1990**

*HK0501015791 Xian Shaanxi Provincial Service  
in Mandarin 0030 GMT 4 Jan 91*

[Excerpts] During the Seventh Five-Year Plan period, the livelihood of people in both urban and rural areas of our province witnessed continued improvement. Our province basically solved the problem of feeding and clothing people. Quite a few people began living a well-to-do life or became comparatively well-off.

Yesterday, this reporter learned from the provincial statistics bureau: During the Seventh Five-Year Plan period, our province's per capita income gained a net increase of 1.7 percent; the per capita living expenditure of our province's urban residents increased 4.5 percent; and the per capita net income of our province's peasants increased 8.2 percent.

Along with the increase of people's actual income for several years running, the consumption standard of both urban and rural residents also rose gradually. The average consumption of both urban and rural residents of our province reached 587 yuan in 1989. With price hikes factored in, this means a 5.8-percent increase over the year 1985, representing an actual per capita increase of 1.4 percent. [passage omitted]

During the Seventh Five-Year Plan period, the housing conditions of both rural and urban residents of our province witnessed further improvement. In 1989, the per capita housing area of our province's urban residents and peasants increased 1.4 square meters and 2.66 square meters respectively over the year 1985. [passage omitted]

Last year, the total amount of bank deposits in both urban and rural areas exceeded 20 billion yuan. The per capita bank deposits in both urban and rural areas reached 618 yuan, representing an increase of more than 300 percent over 1985 and an average annual increase of 40.9 percent.

### Need To Develop Shanghai's Service Sector

91CE0237A Shanghai JIEFANG RIBAO in Chinese  
24 Dec 90 p 1

[Article by Long Zhenghua (1429 2973 5478): "Accelerate Development of Service Sector, Promote Shanghai's Economic Development; Revive Commercial Strength; Perfect Bond Market; Develop Communications and Transportation; Enhance Industries Using Mental Labor"]

#### [Text] Service Sector Development

In the more than four decades since China was founded, Shanghai's service sector has both withered and thrived. During the First Five-Year Plan, Shanghai's service sector was rather advanced. It accounted for around 40 percent of the city's GNP then, falling to 19.4 percent in 1960. Although in 1961 and 1962 the service sector rose to about 26 percent of GNP, for 18 years following 1963, the sector's share of Shanghai's GNP shriveled to only between 17 and 22 percent. After the Third Plenary Session of the 11th Central Committee, the people once again realized the importance of the service sector in national economic development and it developed rather rapidly in Shanghai. Its share of GNP gradually rose year after year. Comparing 1989 to 1983, GNP increased 61.1 percent, of which, the share held by the primary sector fell 0.7 percent, the secondary sector rose 56.4 percent, and the tertiary sector grew 83.1 percent. The service sector's share of GNP rose from 23.6 percent in 1983 to

28.8 percent in 1989. In the six year period from 1984 to 1989, Shanghai's service sector rose an average 8.2 percent per year. Its share of GNP rose practically one percentage point per year. No change has been seen in this rising tendency during the first three quarters of 1990. Likewise, its share of GNP growth rate also is around one percentage point.

The main service sector industries which have grown quite rapidly in recent years are the following. The finance and insurance industry grew 51.6 percent, rising from accounting for 4.188 billion yuan of GNP in 1988 to 6.348 billion yuan in 1989. The industry's share of the sector rose from 22.3 percent in 1988 to 31.6 percent in 1989. Next comes the communications and transport industry, posts and telecommunications. It grew 21.8 percent, rising from creating 3.87 billion yuan of GNP in 1988 to 4.714 billion yuan in 1989. Its service sector share rose from 20.6 percent in 1988 to 23.5 percent in 1989. The commercial beverage industry, along with the goods and materials supply and marketing and storage industry, generally account for around a 35 percent share of Shanghai's service sector. In 1989 both were affected by the market slump. Their proportion of GNP fell 36 percent, from 6.757 billion yuan in 1988 to 4.331 billion yuan. Likewise, their share of the service sector dropped from 36 percent to 21.6 percent.

#### Problems Remaining in the Service Sector

Although in recent years Shanghai's service sector has been affected by various factors such as economic overheating and the market slump, essentially, it still has been able to maintain rather rapid and stable growth. Nonetheless, noteworthy problems remain. The major ones follow.

1. Economic results are quite low. Important parts of Shanghai's service sector show increasingly falling commercial economic results. Gross profits from sales of commodities by state-run and supply and marketing cooperatives were 11.58 percent in 1983 but only 6.3 percent in 1989. The commodity management profit rate was 777 million yuan in 1983; it showed losses in 1989. Considering communications and transport, several major indices of the quantity of goods produced, indices that reflect economic results, fell. For example, railroads had an average daily load of 1,015 cars in 1983, but only 1,004 cars in 1989. For highway transport vehicles, the annual output index per ton was 24,200 tons per kilometer in 1983, but only 21,900 tons per kilometer in 1989. Regarding shipping, anchorage time was 2.1 days in 1983. It increased to 2.2 days in 1989.

2. In certain areas, growth largely was due to price readjustments. For example, in 1989 communications and transport departments showed great increases in their share of GNP. Their share of Shanghai's GNP similarly rose. However, when one looks at passenger and freight transport volumes, these figures fell from 44.09 million people and 278.27 million tons, respectively, in 1988 to 41.4 million people and 276.61 million

tons in 1989. It is obvious that the industry's growth mainly is due to the state's great readjustments in transport rates during this time. As another example, in recent years the residential service industry accounted for a steady 600 million to 700 million yuan share of GNP, but it actually shrunk year by year if higher service prices are subtracted.

3. The relationship between service sector growth and Shanghai's local fiscal revenue is weakening. There is no connection between the majority income of some industries which grew rather quickly and Shanghai's local fiscal revenues. On the contrary, economic results for the commercial beverage and resident service industry portions of local fiscal revenues are down, or even seriously in the red. They need local fiscal subsidies.

4. Growth in Shanghai's service sector still is propelled by communications, commerce, and finance. Some industries that show signs of flourishing life, such as scientific research, grow slowly. In recent years, the industry only accounted for a steady two to three percent of the service sector's share of GNP.

The aforementioned problems not only weaken the role of Shanghai's service sector in promoting and spurring on the development of the entire national economy. At the same time they also mean a lack of reserve strength for the service sector to develop itself.

#### Several Proposals for Developing the Service Sector

We believe that in the 1990's attention should be paid to the following issues in order to allow Shanghai's service sector maintain continuous and steady growth during this period, achieve the goal of having the sector account for 40 percent of GNP by the year 2000, and have Shanghai grow along with the sector, improving its international and domestic stature.

First, we must enhance Shanghai's development strength and actively develop goods and materials supply and marketing industries. In recent years, economic growth in various areas has posed a challenge to commerce in Shanghai. There have been annual drops in Shanghai's share of foreign trade exports and its share of commodity allocation and procurement moved to other provinces in China by commercial departments. We must use Shanghai's superiority in terms of commodity quality and reputation to establish a policy of, "for growth, develop the international market; for survival, rely on the domestic market; and for stability, develop the international market." Industry and commerce must work hand in hand to improve commodity and service quality, dig up sales channels, open new markets, and revitalize Shanghai's commercial strength. Regarding Shanghai's production materials market, in recent years its share of GNP in terms of supply and marketing circulation channels has been close to that of the commercial beverage industry, or approximately 10 percent of the service sector. In line with production growth, in the 1990's there undoubtedly will be increased demand for the supply and marketing of goods and materials. In

order to develop this industry, besides continuing to work on quality, varieties of goods, and pricing, plus paying attention to expanding parts supplies, Shanghai should gradually change its present practice of scattered businesses, moving towards concentrated businesses. It should strive to create centers or city blocks for the electro-mechanical, chemical, and instrument industries, such as the hardware center on Beijing East Road. This would give customers greater opportunities for successful buying and choosing to buy. It also would spread the name and volume of business transacted by Shanghai's goods and materials supply and marketing industry.

Second, we must develop and improve Shanghai's bond market. In the finance industry, there is great vigor and potential for developing the government bond and stock markets. Moreover, many of Shanghai's enterprises enjoy good reputations and economic foundations. In the 1990's, Shanghai should start with increasing the volume and variety of bonds issued, add to the transaction network, and gradually expand the scale and the standards of Shanghai's bond and stock market.

Third, we must energetically develop Shanghai's communications and transport industry. It occupies a special place in Shanghai's economic and social development. For a long time now, communications facilities have been backward. The fact that they are insufficient seriously affects and constrains Shanghai's national economic development. Transport capacity has always been overloaded. Taking the tonnage capacity at the port of Shanghai for example, although the Ministry of Communications appraised and determined its total handling capacity at 80 million tons, in 1984, more than 100 million tons were handled. In 1989, more than 146 million tons, or 82.5 percent beyond capacity, was handled. Data shows that under the present industrial structure, one percent growth in Shanghai's industrial output value requires a 0.5 percent increase in transport capacity. Thus, it is truly essential to accelerate the development of Shanghai's communications and transport industry in order to reach the goal of quadrupling GNP.

Fourth, we must strive to develop science, technology, consulting, and other industries involving mental labor. Shanghai's present scientific research undertakings only account for 2 - 3 percent of the service sector's share of GNP. This is very much out of whack with Shanghai City's existing scientific and technological forces. It must be noted that present scientific research undertakings do have great vitality and development power although they only account for a small share. In 1989, Shanghai had 843,100 scientific and technological personnel in units owned by the whole people. Citywide there were 765 independent research and development organizations. With such enormous forces, consulting work is entirely attainable if Shanghai only provides more policy support; pays attention to applying the fruits of scientific and technological research to production; expands its

technology, consulting, and talent pools; and improves scientific and technological development efforts.

In addition, we also must steadfastly seek economic results. Taking as points of departure lowering costs, reducing overstocking, increasing the rate of flow, and accelerating circulation, we truly must improve the economic results of service sector units and set a solid foundation for good economic development.

### Shanghai Announces Economic Development Targets

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1649 GMT 4 Feb 91

[Text] Shanghai, February 4 (XINHUA)—Shanghai, China's largest industrial city, will be built into the country's economic center and a multi-functional socialist modern international city in the next ten years, Vice-Mayor Huang Ju stated here today.

In a speech at the opening ceremony of the international workshop on the economic development of Shanghai here today, Vice-Mayor Huang expounded on the seven major targets designated for the city's development in the 1990's.

In the speech, which is entitled "Shanghai's Economy—Facing the 21st Century", he revealed that the first target is to promote the reform of state-owned large and medium-sized enterprises, which are the mainstay of the city's economy and finance and play a key role in the city's reform and development.

The second target is to concentrate on the construction of the city's infrastructure in a bid to provide an ideal investment environment for the 1990's. The major construction projects, comprising transportation, communications and public facilities, include two bridges over the Huangpu River, the No. 1 line of the subway, water-supply networks and the extension of the Hongqiao Airport.

The third target is to gradually form and perfect the city's commercial, foreign trade, financial, tourism and information centers so as to meet the needs of a modern big city.

The fourth target is to make full use of the city's technological advantages and continue to import technology to readjust the industrial structure. Efforts will be made to strengthen basic industries, improve the light and textile industries, further develop the machinery and electronics industry, and develop new products.

The fifth target is to promote the construction of monetary markets to develop more channels for raising construction funds. Attention will be paid especially to both the domestic and international stock market and the real-estate market.

The sixth target is to accelerate education.

The seventh and last target is to bolster the government's role as an economic monitor, and pay more attention to macro-management.

The vice-mayor's speech aroused great interest from the more than 200 Chinese and foreign participants in the seminar.

### Sichuan Reports 1990 Economic, Social Progress

HK2602060891 Chengdu Sichuan Provincial Service  
in Mandarin 1015 GMT 25 Feb 91

[Text] The 1990 figures on provincial economic and social development issued by the Sichuan Provincial Statistics Bureau have shown that our province's economy has achieved a sustained development, and that new achievements have been made in our construction on all fronts.

In 1990, our province's entire economy achieved a sustained development, and new achievements were made in construction on all fronts. According to initial statistics, our GNP was 109.1 billion yuan, an increase of 42 percent over 1989, or 120 percent higher than 1980. We reaped a bumper agricultural harvest as a result of overcoming drought and waterlogging. Our total agricultural production output value for the whole year was 60.3 billion yuan, an increase of 5.6 percent over 1989. Of various main agricultural products, our total grain output reached 42.66 million tons, which was another record high. Production output of our cotton, oil crops, sugarcane, bluish dogbane, jute, silkworm cocoons, and fruit increased. In the whole year, the number of pigs slaughtered was 60.94 million head, an increase of 4.3 percent over 1989. Total production output value of township and town enterprises was 45.1 billion yuan, an increase of 13.4 percent over 1989. Total industrial production output value of the whole year was 120.1 billion yuan, an increase of six percent over 1989. In the whole year, the investment of the whole society in fixed assets was 21.4 billion yuan, an increase of 2.4 percent over 1989.

With regard to the 38 key construction projects decided by the provincial government, an investment of 3.8 billion yuan has been made in them, accounting for 42.3 percent in the investment of capital construction. Market sales gradually increased. Total volume of retail sales of the whole year was 54.197 billion yuan, an increase of 2.5 percent over 1989. Our commodity prices were basically stable, and inflation had been effectively curbed. Our exports in foreign trade increased in a stable manner. Various undertakings including science, technology, education, culture, public health, sports, and so on achieved new development. Our people's livelihood has been further improved. In many places, the society is stable, and there has been new progress in economic and cultural undertakings.

## FINANCE, BANKING

### General Plan of Tax Reform in 1990's

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[Article by Wang Shaofei (3769 4801 7378), Chinese Academy of Social Sciences and "Tax Reform" Group of the China Tax Society: "General Plan of Tax Reform in the 1990's"]

#### [Excerpts] I. Projecting Economic Development Trends in the 1990's

Tax reform must be suited to economic development trends and meet the objective need of economic development. The overall plan for tax reform in the 1990's must be based on our projections of economic development in that period. [passage omitted]

A. We cannot reverse the trend toward developing a commodity economy featuring a variety of ownership systems dominated by public ownership. "The full development of a commodity economy is an unskippable stage in social economic development. It is a precondition for China's economic modernization." This thesis sums up the general pattern of socioeconomic development. As an economy of socialized production, the commodity economy is a stage common to all human social development. Not a single mode of production can bypass it. The socialist mode of production may supersede or replace the capitalist mode of production but not the historic stage of socialized production: the commodity economy. What is different between socialism and capitalism is not the development of a commodity economy, but the form of ownership of means of production. In other words, a commodity economy dominated by the private ownership of means of production is a capitalist commodity economy, while the commodity economy dominated by the public ownership of means of production is a socialist commodity economy. The greatest contribution of modern socialist theory is the abandonment of the mistaken notion that the commodity economy and socialism are mutually exclusive and the pursuit of a commodity economy dominated by public ownership, thereby freeing the socialist economy from the shackles of the natural economy to demonstrate boundless vitality.

B. Economic reform must continue to be intensified. Comrade Deng Xiaoping said, "Reform is a road China must travel to develop productive forces." If we are to develop a socialist economy and improve the people's living standards, we cannot discontinue reform halfway. Regardless of whether or not the economy will run into a bumpy passage in the Eighth Five-Year Plan or Ninth Five-Year Plan, whether or not there will be another round of adjustment, reform must not stop. This is because in the past decade we have already been traveling down the road of developing a socialist commodity economy dominated by public ownership. The market

has grown considerably. We must stick steadfastly to the road of reform. Reform measures already introduced must be made better. Management practices and the superstructure (including policies and measures) must continue to be reformed. We cannot beat a retreat now. If we discontinue reform, the economy will be hampered. The trend of reform cannot be reversed. Reform must be intensified. [passage omitted] The market is the heart of the commodity economy. No market, no commodity economy. There is no market in the world without commodities and no commodities in the world without a market. Solving market problems lies at the very heart of the development of a commodity economy. If we hamstring the market in the course of developing a commodity economy, it would be like climbing a tree to catch fish, an entirely fruitless proposition that may put us in a worse position in the end. The plan in a commodity economy is the commodity production and marketing plan. It must be based on the market and changes as the market changes. Both an over-heated market and a soft market will force us to adjust the plan in certain ways. To prepare a commodity production and marketing plan in isolation from the market is like making a car behind closed doors; it is doomed to failure. Therefore, if we are to develop a commodity economy, we must reconcile the conflicts between planning and the market in actual practice, substitute market demand (demand that is affordable) for "the wishes of the commanding officer." In other words, the plan should be drawn up using the market as the basis. Only this kind of plan can regulate and control the market. The thrust of reform intensification is to establish a unity between the plan and the market, look for effective ways and operating methods to integrate planning regulation with market regulation, create operating mechanisms that will integrate planning with the market, and establishing a new order of a socialist commodity economy. Regardless of whether or not policies will change in the Eighth Five-Year Plan and Ninth Five-Year Plan, as long as we develop a commodity economy, we cannot depart from this central path and must continue to deepen reform.

C. The door to the world cannot be closed. The purpose of reform is to create the domestic conditions for the development of a commodity economy. The purpose of the open policy is to create the international conditions for the development of a commodity economy. Both reform and the open policy are effective means to develop a commodity economy, that is, productive forces. As an economy of socialized production, the commodity economy is suitable for all modes of production. It requires not only a domestic market (ie., commodity exchange), but also a foreign market (international commodity exchange). At this stage in its development, the commodity economy has become highly internationalized. Not a single country can remove its commodity economy from the international environment. If we isolate ourselves from the world, we will only perpetuate our backwardness. Yet in order to maintain broad economic ties with the world, we have



no choice but to see that our commodity economy is of a form common to the world, conduct international trade extensively, develop an export-oriented economy, and keep the door of the nation open. Conversely, if we close the door, we will have great difficulty developing a commodity economy.

D. Science and technology is a principal driving force behind the development of productive forces. Comrade Deng Xiaoping said, "Science and technology is productive forces." The development of social productive forces primarily depends on scientific and technical prowess. He who controls advanced science and technology will be able to push productive forces to a new high and enjoy an competitive edge in the economic arena. [passage omitted]

The economic development trend outlined above is not an objective process subject to human will. Our economic policy and economic reform must conform to this trend. The overall design of tax reform must conform to this trend.

## II. The Urgency of Tax Reform

If we judge the economic development trend of the 1990's correctly, we can correctly, we can readily understand the urgency of tax reform, which manifests itself mainly in these ways:

A. The present system has a complex array of tax types and tax rates. According to statistics, we now collect 42 types of taxes and four types of funds and fees. Classified broadly, there are nine circulation taxes, seven income taxes, three bonus taxes, six regulation taxes, four resource taxes, three property taxes, three conduct taxes, two coupon taxes, four special taxes, and one import/export tariff. Add the energy and transportation construction fund, budget regulation fund, education surtax, and mining area use fee, and we have a total of 46. Even more complex are tax rates. The product tax is collected at 26 rates, ranging from 3 to 60 percent; the value-added tax at 11 rates, from 8 to 45 percent; and the income tax at 2 to 8 percent rates. When tax types and tax rates are this complicated, they not only disrupt the distribution process, increasing the burden on enterprises and worsening their business environment, but also erode the tax base and reduce tax revenues. Between 1985 and 1989, tax types multiplied endlessly even as tax revenues accounted for a declining share of the national income, from 29 percent in 1985 to 21 percent in 1989, a drop of 8 percentage points. If this trend is not reversed, taxes and revenues will continue to make up a shrinking portion of the national income. To put it differently, the present tax system can no longer provide a stable source of government revenues.

B. The policy bias of the current tax system does not meet the need of the balanced development of multiple economies dominated by public ownership. [passage omitted.] The socialist tax system must serve the consolidation and development of the socialist economy, preserve the dominant status of socialist public ownership,

meet the need of balanced development of public ownership, which remains dominant, and a variety of ownership systems, and ensure the healthy development of the national economy on the road to socialism. The configuration of the current tax rates and tax types, however, is badly flawed in these respects. For instance, the highest income tax rate for large state-owned enterprises is currently 70 percent (income tax at 55 percent plus profit retention regulation tax at 15 percent), the highest income tax rate for small state-owned enterprises and collective enterprises is 55 percent, the basic tax rate for private enterprises is 35 percent, the income tax rate for Sino-foreign joint ventures is 33 percent, and the average tax rate for foreign enterprises is 30 percent. Another example concerns the areas conducting pilot projects in tax-profits separation. The income tax rate for enterprises in the Xiamen Special Economic Zone [SEZ] is 15 percent while the corresponding rate for enterprises in Chongqing is 35 percent, a difference of 20 percent. In other words, the tax burden on enterprises in Xiamen is only 42.9 percent of that of their counterparts in Chongqing. To put it differently, the tax burden of enterprises in Chongqing is 130 percent heavier than that of enterprises in Xiamen. The latter, therefore, can increase their profits 20 percent without expending extra ounce of energy. Even enterprises with higher costs than those in Chongqing are highly competitive. This policy bias will create the impression that foreign enterprises are more efficient than domestic enterprises, which militates against the demonstration of the superiority of socialist public ownership, and would do nothing to help the development of a socialist commodity economy. Because of the special preferential policies, we cannot, therefore, conclude that foreign enterprises and those in SEZ's are better and more efficiently managed than Chinese enterprises and enterprises within the interior. The inequitable tax system gives the utmost advantage to foreign enterprises and those in SEZ's, suppresses the development and competitiveness of state-owned enterprises, limits the superiority of public ownership, and sets a bad example. We are not suggesting that in the initial stage of socialism, during which public ownership dominates and various ownership systems coexist, we adopt the policy of the 1950's that restricted the development of private capitalist enterprises and favored state-owned enterprises. Instead, we propose that we change the policy unfavorable to the state-owned economy, introduce a uniform enterprise income tax so that Chinese enterprises and foreign enterprises, SEZ enterprises and inland enterprises all pay taxes fairly under a uniform enterprise income tax, so that two different systems, namely socialism and capitalism, can engage in competition on a level playing field. To attract foreign capital, we may offer preferential treatment in the form of tax cuts or tax exemptions. When government gives preferential treatment in the open, it would not lead people to think that foreign enterprises are better managed by their Chinese counterparts.

C. The existing tax system does nothing to implement the industrial policy, to help structural adjustment, or to



form a unified market. Every round of tax reform in the past was based on the premise that it be revenue-neutral. The emphasis was on maintaining the original tax burden. Little consideration was given to the industrial policy. The tax rates of industrial sectors were basically calculated in accordance with the original tax rates in a practice known as "no more, no less" in order to maintain its original burden. In the process, all the flaws of the preexisting tax system have survived in the present tax system, rendering it difficult to implement the industrial policy. Add the constraints of local interests and you have a tax system that regulates the industrial policy with adverse effects, as demonstrated mainly in the following ways: 1) The product tax tends to tax raw materials more heavily than processing industries, capital goods industries more heavily than consumer goods industries, daily necessities more heavily than accessories. For instance, within the processing industry, with the exception of cigarettes, liquors, and incinerating materials, 76 out of 199 products, or 38.2 percent, are low-tax products, their tax rates falling below 5 percent. In contrast, of 114 products in the raw material industry, 41, or 35.9 percent, are taxed below 5 percent. Petroleum is taxed at 40 percent, liquors and spirits at 27 percent on the average, electricity at 10 percent, assorted electric heating devices at 5 percent, aluminum alloy at 10 percent, gold and silver decorations at 5 percent. This kind of tax policy bias does not meet the demand of the industrial policy. 2) Because of disunity in tax administration and the lack of coordination between the fiscal system and tax system, the current tax system has become a tool for protecting local interests. The more heavily a product is taxed to curb its growth, the harder the locality tries to promote it, which adversely affects the industrial structure. Nowadays, in addition, many localities use taxes to insulate or fragment markets, restrict the entry of products from outside, and protect local backward industries. These practices not only impede the formation of a uniform market, but also hamper technological progress and economic modernization, wasting what limited capital goods we have.

D. The current system confuses different economic functions and distorts distribution relations, complicating taxation in accordance with the law. The major signs are: 1) Taxes and profits are fused. The functions of the state and those of the owner are confused. The boundary between state revenues and after-tax enterprise profits is blurred. Before the substitution of taxes for profits, enterprises turned over profits to the government instead of paying taxes. After the substitution of taxes for profits, enterprises pay taxes instead of turning over profits, but taxes and profits are still not differentiated. In the name of contracting, enterprises continue to eat out of the big rice pot of state revenues. The enterprise management responsibility system has come to replace paying taxes in accordance with the law, the contract instead of tax law. Accordingly, tax administration in accordance with the law, has not been achieved. 2) The functions of taxes and prices are mixed up. The substitution of prices for taxes and vice versa have messed up

the normal distribution order. As a result, the regulatory effects of revenues and prices cancel each other out and tax reform and price reform impede each other, precluding progress. 3) Revenues and expenditures are in disarray. Enterprises pay off loans before tax instead of having the Ministry of Finance make investments. Funds are spent even before revenues are collected. In the process, the order of distribution is snarled, intensifying the investment explosion and inflation.

E. The disparities between nominal tax rates (legal tax rates) and actual tax rates are excessive. The tax rates may be high, but the amount actually collected is small, resulting in a huge amount of lost revenues through tax cuts and tax exemptions. According to a survey on 17 construction materials enterprises in Zhanjiangshi in Guangdong, tax cuts and tax exemptions were worth 3.267 million yuan in 1987, 38.1 percent of revenues actually collected. In 1988, tax cuts and exemptions amounted to 2.547 million yuan, or 26.6 percent of revenues actually collected. Deep tax cuts and tax exemptions have made the gap between nominal tax rates and actual tax rates wider and wider. In 1988, the statutory comprehensive tax rate (nominal tax rate) for the state-owned mechanical industry in Zhanjiangshi was 5.5 percent, but the actual rate was 3.1 percent. Corresponding figures for the building materials industry were 10.5 percent and 4.2 percent, respectively. State-owned enterprises pay income taxes nominally at the rate of 55 percent but actually under 40 percent. At the same time, high tax rates have pushed enterprises into the red and depleted after-tax profits, which means higher government subsidies and diminished ability and enthusiasm on the part of enterprises to improve profitability.

F. Tax rates are unevenly distributed and the mix of revenues is lopsided. The rates of some tax types are too high, accounting for an excessively large portion of all government revenues, and creating difficulties for the implementation of a tax separation system. To accelerate financial reform and separate the different levels of government financing, we must resolve the problem of the distribution of tax rates, equitably even as we decide the tax types and reconcile the distribution of interests between the central and local authorities.

There are other weaknesses in tax administration: the fragmentation of taxing power, overlapping of agencies, multiple agencies making decisions, lack of unity between tax collection and tax management. As a result, the conscientiousness with which tax laws are enforced and the integrity of tax laws are undermined.

The shortcomings of the current tax system mentioned above have not only affected the very foundation of government revenues and the function of taxes, but also impeded the development of the socialist economy, the industrial policy, and the commodity economy. We have reached a point where reform is the only way out.

### III. The Guiding Thought Behind Tax Reform

Tax reform is of vital importance to national economic development as a whole. It directly impacts the distribution of interests between enterprises and citizens and has a decisive impact on the enthusiasm for production on the part of enterprises and citizens. It is critical to the coordinated development of economic reform and national economy and to the fiscal state. We must proceed from the broad picture of economic reform and national economic development and unify guiding thought.

A. Tax reform must focus on changing the operating mechanisms, vitalizing the economy, and improving macroeconomic performance, instead of being preoccupied with partial or sectoral successes and failures. The major problems in the national economy right now are confusion in distribution relations, bottlenecks in operating mechanisms, operating difficulties for enterprises, and the nation's weak budgetary position. These problems are rooted in the fact that reform measures in the past several years were not coordinated and were disruptive to the economic order. The thrust of reform intensification in the 1990's is to change the operating mechanisms and establish a new order of a socialist commodity economy so as to steer the national economy from instability onto the path of sustained, steady, and coordinated development. Such is the guiding thought behind tax reform as well as economic reform overall. From the perspective of tax reform, the existing operating mechanisms misplace interests. There is confusion in policy-making and transmitting agencies and procedures are turned on their heads. The key to changing the operating mechanisms is to begin by differentiating among the various economic functions and then adjust the organizational setup correspondingly, tidy up the distribution procedures, harmonize the relationship between power and interests, and eliminate the conflicts between old and new agencies in power and interests. Also, we must revitalize the economy in an overall context. If the central government must be revitalized, so must localities and enterprises. Right now it is either a vitalized enterprise hampering the state, or a vitalized state dragging down the enterprise, with neither the state nor the enterprise being vitalized in the end. That must be changed. Tax reform in the 1990's must proceed from the over-arching objective of energizing the entire national economy, breaking down the barriers between departments, and pave the way for coordinated national economic development.

B. Proceed from the need to develop a socialist commodity economy, sort out interest distribution, unify tax administration, centralize the power to tax, contribute to the construction of a new order of a socialist commodity economy, and turn taxes into an economic lever to protect national sovereignty, promote the open policy, preserve national unity, expedite the development of a unified market, consolidate the dominant position of public ownership, and fuel the harmonious development of a variety of economic formats. Taxation constitutes

an important policy tool at the disposal of the state and has a broad regulating and controlling role in the development of a modern commodity economy. It is also the material foundation for preserving national unity and enhancing the macroeconomic regulatory and control ability of the central government.

C. Replace the rule of man with the rule of law and replace unconventional incomes with conventional incomes, thus creating the conditions for the establishment of a normal fiscal order and the improvement of the operating climate for enterprises. At present there is a good deal of chaos in government revenues. We have a total of 42 tax types, yet we cannot guarantee there are enough revenues to meet spending needs. Besides taxes, unorthodox administrative means are used to collect a plethora of funds under names of all descriptions. Not only does this undermine the collection of regular taxes, but it has also eaten into the funds needed by enterprises for simple reproduction, creating difficulties for technical modernization and transformation by enterprises, depressing enterprise profits and directly eroding the tax base. Hence the declining share of taxes in the national income and corresponding drop in revenues, a key factor behind the current budgetary woes. Tax reform in the 1990's must establish the fiscal management idea of institutionalization. Replace the rule of man with the rule of law, irregular incomes with regular incomes, in order to create a favorable fiscal environment for enterprises. At the same time, raise the macro tax rate through orthodox revenues to increase revenues as a proportion of the national income, giving government revenues a reliable statutory basis.

D. Consider the overall pattern of the distribution of the national income and the limits of the macro tax rate in the total context. Taxation is a means of distribution. How much tax revenues the government collects depends on the level of development of productive forces. Since aggregate national income is fixed, the amount of tax revenues is determined by the overall distribution of the national income. We must first determine the percentage of national income that government revenues should properly make up and then the percentage of revenues that taxes should make up. Suppose government revenues make up 28 percent of the national income and taxes 90 percent of government revenues, then the macro tax rate (taxes as a percentage of the national income) should be about 25 percent. The macroeconomic tax rate is the principal basis in determining tax types and tax rates. If tax reformers know absolutely nothing about the overall pattern of the distribution of the national income and have no idea what the macro tax rate should be, it would be hard to avoid problems in tax reform. When we say tax reform is of vital importance to the national economy overall, we mean first and foremost that we must consider taxes in the overall context of the distribution of the national income. In particular, we must study the decisive impact of the value composition (the ratio of essential product value to surplus product value) of the national income on taxes and determine the overall level of the macro tax rate.

E. Tax types and tax rates as well as tax collection methods must be simplified. The tax burden must be equalized. The regulating function of taxation must be improved even as it ensures government revenues. Help enterprises improve their management and efficiency so that they contribute their utmost to the state even as they pursue their own interests. Taxation is more than a means of raising revenues for the government. It must promote economic development even as it raises revenues for the government. Under normal circumstances, in fact, it must put the promotion of economic development before everything else; when there is economic development, there should be revenues. If we work hard for the former, the latter will take care of itself. This is the fiscal management thought bequeathed to us by Mao Zedong.

To sum up, tax reformers cannot proceed from special interests, but must think in terms of the national economy as a whole in order to create the conditions for sustained, steady, and coordinated economic development.

#### IV. Obstacles to Tax Reform Are Surmountable

After several years of discussion, most members of the financial community and academe have slowly arrived at a consensus regarding the direction of tax reform. Only a handful of people think differently. The critical issue now is finding a way to overcome the several obstacles that will be encountered in tax reform.

A. There is no uniform guiding thought behind tax reform. Hence the difficulty in getting reform under way. [passage omitted] Tax reform is a practical and tangible issue that directly impacts the distribution of interests. We need a unified guiding thought. The guiding thought for tax reform should revolve around changing the operating mechanisms, straightening out distribution relations, vitalizing the economy, and breaking down the interest barriers between sectors and enterprises. Provided operating mechanisms are changed through reform and distribution relations are sorted out, enterprises will become energized, revenues would increase correspondingly, and the entire national economy would be invigorated. The current tax burden on enterprises is indeed onerous. Besides taxes, they pay all sorts of funds, fees, and social apportionments. The burden on them, already quite unbearable, should not be made heavier still. Otherwise, they will not be able to survive. On the other hand, at a time of serious budgetary problems, it is unrealistic to expect the government to lessen the financial burden on enterprises. The problems are entirely caused by disorder in the distribution relations and an uncoordinated economic system. If the present system is not changed, even wider profit margins would not energize the enterprises and overcome our budgetary problems. Really, the current fiscal system and the enterprise management system hem in each other, shackling the budget and stifling the enterprise. Only when we untie this knot through technological transformation can we

bring the two back to life. If we will not let go of the string in our own hands, nobody can be energized.

B. Replace pre-tax loan repayment with after-pay loan repayment. This is the second obstacle on the road to tax reform. With pre-tax loan repayment, we make an investment using profit yet to be created, with the bank paying in advance in expectation of being reimbursed by the government later. This policy is harmful to coordinated social economic development and may throw the public ownership economy into a crisis. In theory, it is entirely feasible for an enterprise to borrow from a bank to make an investment, using the investment project as collateral, and then pay back the loan with profits generated by the project after it goes into production. A properly managed enterprise will have a higher profit margin than the interest rate on the loan. So the policy would work very well. In the case of a nation or a region, however, if all enterprises look to the banks for loans to invest, paying them back with future profits, then where will the bank funds come from? It would be a case of creating something out of nothing. The only consequence would be a bloated money supply and inflation. It is precisely this policy that has enabled localities and enterprises to overcome the constraints of fund sources. That is, even if they do not accumulate, they can still borrow to invest, reaping huge profits in the process. Superficially it also makes the enterprises and localities more vigorous. In fact, it leads to gross over-investment, inflation, and the over-distribution of the national income, while at the same time damaging coordinated national economic development. However, pre-tax loan repayment has now become indispensable to the localities and enterprises for keeping up production, conducting technological transformation, and promoting economic development. The abolition of pre-tax loan repayment will provoke fierce opposition from localities and enterprises as they will face economic stagnation. For this reason, we propose replacing pre-tax loan repayment with after-tax loan repayment, the main concern being to change operating mechanisms and not to devitalize enterprises. This is how it works. Lower the income tax rate to increase the enterprises' after-tax profits and investment capability and make it the principal investor. Currently, enterprises spend about 20 billion yuan in pre-tax profits to pay off loans. If the enterprise income tax is reduced from 55 to 35 percent or 30 percent, after-tax enterprise profits will go up 20 to 25 billion yuan. This way we can replace pre-tax loan repayment with after-tax loan repayment. Provided it does not affect enterprise investment capability, changing the operating mechanisms is immensely significant for laying the groundwork for establishing the enterprise's self-restraining mechanisms, improving returns on investment, curbing the over-distribution of the national income, and severing the conducting mechanism.

C. Separating taxes from profits. This is the starting point for correctly differentiating between the state function and the owner function and improving the tax

system and the management of state assets. It is also the third obstacle to tax reform. This obstacle, which springs from the budgetary system itself, involves the invested interests of the existing agencies and personnel, causing a good deal of resistance to tax reform. At a deeper level, this obstacle is directly related to the present personnel system and wage system. Taxation and after-tax profits represent different economic entities and embody different functions. In the case of taxation, the state is the principal player. Tax collection is the function of the state. With after-tax profits, the owner is the principal player. Handling after-tax profits is the function of the owner and manager. The state levies taxes in accordance with the law. After-tax profits go to the owner and manager. In what proportion? That is part of the distribution relation between the owner and the manager and is not directly related to taxation. However, because of the traditional practice of combining taxes and profits, with both enterprises and the state eating out of the big rice pot, the existing institutions within the fiscal system have developed their own vested interests, a source of resistance to reform.

D. Replace pre-tax contracting with after-tax contracting. This is the fourth obstacle to tax reform. As a format of enterprise management, the contract management responsibility system is not necessarily related to taxation to begin with. However, thanks to the monopoly on revenues and spending, and the fusion between taxes and profits, taxation has become a principal component of enterprise contracting. In the process, not only have the nature and direction of enterprise contract management been changed, but taxation too has lost its effectiveness, fouling the distribution process, hobbling the budget, and stifling the enterprise. Preoccupied with the fulfillment of income targets, the enterprise cannot afford to worry about technological transformation, new product research and development, and the improvement of competitiveness. Logically speaking, taxation is part of the external environment of an enterprise and should be the same to all enterprises. Contracting, on the other hand, is a kind of relationship between the manager and the owner, an economic responsibility the manager assumes with regard to the owner. As such, it is not related to the tax burden. After-tax contracting, however, has made taxation an important part of contracting, turning what should be part of the external environment of an enterprise into its responsibility. Contracting takes different forms and the tax burden of enterprises also varies. Thus taxation has lost its uniformity and enterprises no longer share a common economic climate, resulting in an abnormal unevenness in their actual tax burden. Enterprises now do not understand the real implications of after-tax contracting. They only look at the immediate situation and assume that after-tax contracting would not be a very profitable proposition. Hence their adamant opposition to it. They do not understand that the purpose of after-tax contracting is to further energize enterprises. How? In accordance with the principle that the state levies taxes and after-tax profits go to the enterprise, we should lower the

income tax rate from 35 to 30 percent. After-tax profits (i.e., 65 or 70 percent) go to the enterprise. Afterward the enterprise and State Assets Management Bureau can work out contracting. As to whether after-tax profits should be retained by the enterprise in whole or in part, the owner and the manager should work that out through discussion, depending on the actual needs. This way not only will the interests and goals of the owner and manager be integrated, but enterprises will also be greatly energized and fiscal disruption in enterprises removed.

From the perspective of changing the operating mechanisms and sorting out distribution relations, the obstacles mentioned above are largely man-made and entirely surmountable provided we achieve a common understanding.

#### V. Basic Contents of Tax Reform

Tax reform is a very complex issue, including the determination of tax types, the establishment of tax brackets and tax rates, the level of tax burden, the relationship between principal tax types and supplementary tax types, the pattern of central taxes and local taxes, the division of taxing power, and collection and management procedures. The overall design of tax reform can only give a broad sketch of the basic contents. It cannot include everything that is in the tax reform. A more detailed implementation plan must be drawn up for each tax type. Our overall design mainly embraces the following four parts:

##### A. Circulation Tax Reform

In a socialist commodity economy dominated by public ownership, the circulation tax, a key tax, occupies an important place in the entire tax system. It plays a vital part in ensuring revenues for the government, implementing the industrial policy, balancing the economic structure, and regulating resource allocation and the consumption level. It is not something that can be replaced by the income tax. An important aspect of tax reform is the improvement of the series of circulation taxes and the coordination of circulation tax types and tax rates.

1. Expand the scope of the value-added tax [VAT], simplify the tax rates, and standardize calculation methods and collection procedures. Among modern circulation taxes, the VAT is a more scientific one. It taxes the added value created in the production and marketing stages, avoids tax duplication, and facilitates specialization and the application of science and technology. As it combines the raising of revenues for the government with the promotion of economic development, it meets the requirement of economic modernization. During the Eighth Five-Year Plan, the scope of VAT should be enlarged as the drive to improve the economic climate, rectify the economic order, and deepen reform intensifies. But there is no consensus among members of the public regarding the extent to which it should be broadened. We suggest that we begin by extending it from the

production stage to wholesale commerce. Should it be further extended to retail commerce? That should be decided depending on the conditions after the VAT is levied on wholesale commerce in order to avoid the mistake of moving too fast and producing unanticipated consequences. Even as we expand the scope of VAT, we must simplify the tax rates and tax brackets, adjust the tax rates and the level of tax burden. The existing VAT rates were calculated on the basis of keeping the tax burden of the old industry and commerce joint tax. Thus traditional weaknesses have survived, the structure is irrational, and the tax burden is inequitable. Moreover, there are too many tax brackets. Collection and calculation methods have not been standardized and need to be adjusted and rationalized. We are thinking of establishing three brackets—10 percent, 12 percent, and 14 percent—as a start. The number of brackets should not be increased. Tax rates should not be set too high. Other revenue needs should be met by the product tax. In determining VAT tax rates, our main concern should be to regulate the economy, at the same time being careful to ensure revenues for the government. Mistakes of the past must not be repeated. Also, to expand the scope of VAT, we must implement the tax-deduction-with-receipt- system to standardize the method of tax collection. The VAT should not be turned into a “dispute” tax.

2. Adjust the scope of the product tax. Make the product tax a tool for implementing the industrial policy and regulating consumption. The VAT and product tax should work in tandem to achieve dual regulation. For example, in addition to the VAT, which should be broadly levied, a product tax should be imposed on those products in need of extra regulation. There may be a few tax brackets, not too many, depending on the industrial policy and consumption policy in order to expedite the rationalization of the industrial structure and consumption.

3. Even as we expand the scope of VAT, we should adjust the scope and rates of the sales tax correspondingly. The sales tax should not be levied on Income already paying VAT. Sales tax rates should be adjusted properly in accordance with the principle of equal tax burden and to dovetail with VAT.

According to our plan, the comprehensive tax rate of the circulation taxes (including VAT, product tax, and sales tax) should account for 50 percent of the overall tax rate (that is, total revenues from the industrial and commercial sector as a percentage of the national income). Suppose the overall tax rate is 25 to 27 percent. Then the comprehensive rate of circulation taxes should be 12 to 14 percent. The remaining share should come from income tax and other taxes.

#### B. The Contents of Income Taxes

In the tax system, the burden of circulation taxes is borne by all members of society, whereas income taxes are payable by enterprises and some members of society.

Income taxes can be divided into enterprise income tax and personal income tax, each with their particular target group and collection principles and reform objectives. They need to be considered separately.

1. The Substance of the Reform of Enterprise Income Tax. In the initial stage of socialism, when multiple economic forms, dominated by public ownership, coexist, the principal targets of the enterprise income tax include enterprises of different nature: state-owned enterprises, collective enterprises, private enterprises, and foreign capitalist enterprises. How the tax should be designed and how such taxation would achieve the direction of development of the socialist economy are topics that need to be considered carefully. The current income tax was designed with different components of the economy in mind. There are too many tax types and the burden is uneven, which is inconsistent with the demand of the coordinated development of different ownership systems, led by public ownership. Contrary to the direction of development of the socialist economy, the tax burden is heavier on state-owned enterprises than on collective enterprises, heavier on collective enterprises than on private enterprises, and heavier on private enterprises than on foreign enterprises. Reform is needed. Reform of the state-owned enterprise income tax should mainly proceed along these lines:

a) Separate taxation from enterprise after-tax profits. The two should be collected and managed separately. Help taxation realize national interests and the distribution of after-tax profits realize ownership rights. Taxes collected should go to the State Administration of Taxation while the distribution of after-tax profits should go to the State Administration of State Property to bring about a total break with the practice of enterprises eating out of the big rice pot of taxation.

b) In accordance with the principle of the state collecting taxes and turning over after-tax profits to enterprises (owners and managers), we should introduce after-tax contracting, stabilize taxation, and improve the enterprise business climate. Paying taxes, an obligation that enterprises should fulfill, should be standardized. Contracting would undermine the tax laws and regulations and worsen the enterprise business climate, resulting in an unequal tax burden. As a management responsibility system, the contracting system plays an important part in reconciling the interests of the owner with those of the manager. As such, it is a fairly good form of management. However, there should only be after-tax profits contracting, not tax contracting. As for how after-tax profits should be distributed, that should be worked out by the State Administration of State Property and the manager through discussion and handled imaginatively. But tax collection by the state should not be interfered with.

c) After profits and taxes have been separated, pre-tax loan repayment should be replaced by after-tax loan repayment to make enterprise investment conditional upon enterprise after-tax profits and establish enterprise

self-restraining mechanisms. Under private ownership, the self-restraining mechanism of an enterprise is property rights. Under public ownership, the enterprise self-restraining mechanism is the dependency of investment on after-tax profits. Pre-tax loan repayment means paying out government funds in advance, using profits that have not yet been earned. This will worsen inflation and jeopardizes the coordinated development of the national economy. Therefore it must be stopped.

d) Within the framework of the separation of profits and taxes, after-tax contracting, and after-tax loan repayment, we should lower the state-owned enterprise income tax, abolish retained profit regulation tax, collect taxes in accordance with the law, and enhance the vitality and competitiveness of state-owned enterprises. Currently there is an overly wide gap between nominal income tax rates for state-owned enterprises and the actual rates. The nominal tax rates can be as high as 70 percent (55 percent income tax plus 15 percent regulation tax), while the actual tax rate (income tax as a percentage of realized profits) is less than 40 percent. In addition, because tax collection is not standardized, substantial amounts of revenues are lost, which, in turn, has given rise to illegitimate collection, making the actual tax burden on enterprises even heavier and grossly complicating the normal operations of enterprises. Lowering the income tax for state-owned enterprises and standardizing government revenues is an important way to improve the enterprise business climate and enhance enterprise vitality.

e) Consolidate tax types, simplify tax rates, and unify tax administration. In accordance with the principle of coordinated development of multiple economic forms dominated by public ownership, we must bring an end to the traditional practice of levying a separate income tax on different components of the economy and institute a uniform enterprise income tax. First, combine income taxes on domestic enterprises and make state-owned, collective, and private enterprises all pay one income tax, using the tax rates for state-owned enterprises as a guide in determining a set of proportionate tax rates in a way that would benefit the development and modernization of state-owned large- and medium-sized enterprises, give appropriate special treatment to small enterprises, and regulate private enterprises properly. However, the basic tax rates for state-owned enterprises must not be too high, between 30 and 35 percent, we suggest. As for the distribution of after-tax enterprise profits, that can be taken care of through contracting and the submission of profits to the government. It is unrealistic to try to solve all problems with one single tax. Second, gradually unify the income tax on domestic enterprises and foreign enterprises depending on circumstances. Preferential treatment for foreign-funded enterprises should take the form of tax cuts, to be phased in gradually. When preferential treatment is out in the open, it will help attract foreign capital and meet international competition.

## 2. The Substance of the Reform of Personal Income Tax

As the commodity economy developed, the sources and structure of personal income have changed dramatically. Income gaps have widened tremendously. It will meet an objective need of economic development to formulate a good personal income law to replace the current bonus regulation tax and personal income regulation tax. Personal income tax is different from enterprise income tax. It directly impacts the citizen and covers a broad area. Its function is to regulate citizens' income level and consumption level, ease the polarization in incomes and prevent extremes in personal wealth, moderate class conflicts, and create a normal social order. It is a complex social issue that embodies the nature of the state. For a socialist nation, personal income tax must embody these principles: 1) Encourage incomes on labor (both physical and mental labor) and limit exploitative nonlabor incomes; 2) Encourage activities related to scientific and technological invention and education and limit business incomes outside regular work; 3) Curb high incomes and high consumption. Moderate polarization. In the interest of solidifying the social system and promoting social development, the scope of the personal income tax should be narrow, not wide. Any sensible ruling class or politician wants to avoid direct conflicts with the people on issues of tax. Some people suggest that the personal income tax deduction be abolished in order to enhance the public's tax-paying consciousness. This will not be a wise move. Tax-paying consciousness is a legal concept that can come about only with the proper legal constraints. If the legal system is deficient, if we do not adhere to taxation in accordance with the law, we would simply not create any tax-paying consciousness, a consciousness among citizens of complying with the law on their own. People who say collecting taxes alone can give rise to a tax-paying consciousness know nothing about taxation. At the same time, bearing in mind the realities in China, an overly and unrealistically broad coverage for personal income tax will not help limit polarization. We propose: 1) The deduction for personal income tax not be lower than 400 yuan. As the currency depreciates and the incomes of some sector of the population decline, lowering the deduction is bound to intensify social conflicts. 2) The personal income tax deduction for people engaged in S&T development and education be raised appropriately so as to avoid hurting the enthusiasm of S&T and educational workers. 3) Progressive tax rates for nonlabor incomes over 10,000 yuan be raised. In short, personal income tax must embody the principle of distribution according to labor and curbing exploitation.

3. Adjust supplementary tax rates. There are too many supplementary taxes in the current tax system. They are fragmented and uncoordinated with one another. Some duplicate one another. Some constitute an independent tax. Adjustment is needed.

a) Abolish the banquet tax, construction tax, and urban preservation and construction tax. The current banquet tax does not have a clear statutory purpose and its scope is not clearly defined. If we want to limit high consumption, we may raise the sales tax on upscale restaurants. A

separate sales tax is unjustified. The banquet tax is useless as a weapon in the war against entertaining using public funds. The construction tax is ineffective in controlling the scale and direction of investment. In China, capital construction investment is decided and controlled by governments at all levels, so it would be an exercise in futility to use the construction tax or investment tax to control the scale and direction of investment. To do so, is in effect, to pass money back and forth among the tax agency, the investment unit, and spending units, without doing anything to control the scale and direction of investment. What would really work is to formulate an investment law to define the investment power and funding sources for governments at all levels. The original intent of the urban preservation and construction tax is to provide revenues for urban repair and maintenance. For all practical purposes it is an urban surcharge and is not an independent tax. Moreover, it gives one the impression that other taxes are not being spent on urban construction. With the separation of tax revenues, under which central taxes and local revenues are clearly differentiated, all urban taxes may be used on urban construction. Funds for repair and maintenance should come out of rents. There is no need for an urban preservation and construction tax.

b) Expand the scope of the resource tax and improve the collection method. First, the resource tax should be levied on all natural resources, including land and resources above and below ground, in order to promote the proper development and effective exploitation of resources. The development and utilization of unrenovable resources, in particular, must be carefully controlled. Second, tax collection methods must be improved. Whether a resource is taxed according to quantity or price should depend on the circumstances. Tax brackets should be determined on the basis of richness, grade, and transportation distance.

c) There should be an overall plan for the variety of supplementary taxes, taking into account the need for revenues, the total tax burden on taxpayers, as well as the interrelationship between the various taxes, the evenness of the tax burden, and their regulatory effects.

4. The Equitable Distribution of Central Taxes and Local Taxes. One of the goals of tax reform is to gradually bring about tax separation to harmonize local with national interests so that both have proportionate revenues. If we look at the present pattern of taxes, the VAT, product tax, and the tariff are taxes for the central government. The enterprise income tax can be divided into central income tax (levied on all enterprises) and local income tax (also on all enterprises.) Everything else, including sales tax, resource tax, personal income tax, real estate tax, stamp tax, slaughtering tax, and exchange tax are all local taxes in principle. For economically developed high-income areas, we may consider reducing the number of taxes that generate revenues for the local governments. Conversely, in areas that are revenue-deficient, we may offer them a set amount of subsidies and do away with revenue-sharing. It should be made

clear that tax separation is a system of separating taxes, not revenues. This is what makes the system work. Only tax separation can reconcile local with national interests and preserve the ability of the central government to step up macroeconomic control.

## VI. The Steps of Reform

Tax reform involves an adjustment of the interests of enterprises, citizens, the central government, and the localities. As such it will inevitably run into resistance from vested interests. At a time when inflation has not been totally cured, the real incomes of some citizens are declining, and the market is in recession, tax reform has become that much more difficult. As reformers, we must not be impatient but should move ahead step by step, depending on the circumstances. In the first two years of the Eighth Five-Year Plan, we should continue to concentrate on the improvement of the economic climate and the rectification of the economic order. In the next three years, we may switch to reform intensification without moving too rapidly. We reckon that the above plan will not be completed until the Ninth Five-Year Plan. The reform process should consist of the following steps:

A. Prepare public opinion. Publicize the profound significance, theoretical and practical, of tax reform for the development of the commodity economy, the improvement of the enterprise operating climate, the vitalization of enterprises, and the betterment of macroeconomic control mechanisms in order to make leaders take notice and win the support of all quarters in society. Publicizing tax reform requires a strategy: Do not over-emphasize the importance of increasing revenues but focus on what tax reform would do to improve the enterprise climate and make enterprises more profitable.

B. Expand pilot projects, correct their guiding thought, and improve their contents. The Ministry of Finance has rightly decided to "enlarge the scope of pilot projects in tax-profit separation, after-tax contracting, and after-tax loan repayment." In principle, every province and every municipality should carry out pilot projects so as to gather experience broadly. However, the guiding thought for such projects must be correct. A pilot project must proceed from straightening out distribution relations and changing operating mechanisms. It must create conditions for the sustained, steady, and coordinated development of the national economy. It must serve to develop the socialist commodity economy, improve profitability, and speed up modernization. Its aim is to demonstrate the superiority of the socialist economy, not to profit a particular sector, locality, or enterprise, which will distort the experiment's substance. The three parts—"profits-tax separation, after-tax contracting, after-tax loan repayment"—are interrelated and indispensable to one another. A pilot project necessarily leads to the adjustment of rights and interests and changes in the division of power between agencies, and impinges on the actual rights and interests of some people and organizations. To make sure that the pilot project is not



distorted, we must go ahead firmly with the adjustment of the existing organizations and their rights and interests. We must not go too far to accommodate them. Otherwise, the pilot project will degenerate into formalism and reform will exist in name only.

C. Scientifically handle the relations between reform and other systems, the most important being the relations between tax reform and the enterprise contract management responsibility system, between tax reform and price reform, and between tax reform and the financial system. As far as the relationship between tax reform and other reforms is concerned, we must first conduct theoretical research. Only then can we do the right thing in practice. It must be understood that every system has its own special operating mechanisms, its own economic functions. If we blur the boundaries between the various systems and replace one with the other, we will inevitably disturb the economic order, which will not be favorable to coordinated national economic development.

D. After the state-owned enterprise income tax is reformed, tax administration is unified, and the scope of VAT is broadened, we should adjust and coordinate tax types, even out tax rates, gradually divide local taxes from national taxes, and introduce tax separation.

#### **Local, Central Tax Separation Difficult To Implement**

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[Article by Liu Xiuwen (0491 0208 2429) and Chen Juqi (7115 1446 1142); Qiu Dongdong (5941 0392 2639), responsible editor: "Local and Central Tax Separation Difficulties That Must Be Acknowledged"]

[Text] There are now varying views on how fiscal reform should be deepened during the Eighth Five-Year Plan. The parties concerned and certain comrades favor local and central tax separation (hereafter abbreviated as tax separation). They have noted that it could become a key factor in eliminating our "feudal economy," while being able to solve problems, such as central government fiscal difficulties, and have made many useful suggestions on options, such as the objectives of and patterns for, tax separation in China. We would like to note that tax separation during the Eighth Five-Year Plan will involve at least the following difficulties that need further thought.

**As the Current Defects in Our Political and Economic Systems, i.e., the Lack of Separation Between the Party and the Government and Between Government Administration and Enterprise Management, and the Overcentralization of Power, Are Pending Further Resolution, the Prerequisites for Tax Separation Certainly Do Not Exist**

Tax separation refers essentially to a system of budget management in which relevant fiscal authority is determined by legal jurisdiction for governments at all levels.

It could be said that a clear differentiation of the legal jurisdiction and resulting fiscal authority of governments at all levels is a prerequisite for tax separation. All countries in which tax separation is now practiced have clear legal provisions that delimit the legal jurisdiction and fiscal authority of governments at all levels. As fiscal authority is determined by legal jurisdiction, clear legal jurisdiction is the ultimate basis on which fiscal authority is delimited. The differentiation of legal jurisdiction and fiscal authority are also directly determined by a country's political and economic systems. All approaches to tax separation, i.e., central and local fiscal relations, that are divorced from a country's political and economic realities or the legal jurisdiction of governments at all levels, would be impractical.

The current defects in our political and economic systems, i.e., the lack of separation between the party and the government and between government administration and enterprise management, and the overcentralization of power, are pending further resolution. While how to correctly handle the relations between the Central and local governments and delimit the legal jurisdiction of governments at all levels, is a key issue for such a large country with such a large party as China, it has never been effectively resolved for these many years. As the issue of the differentiation of the legal jurisdiction of governments at all levels has still not been fully resolved, despite the advances that have been made since the Third Plenary Session of the 11th CPC central Committee, and the arguments for it in the report to the 13th CPC Congress in particular, the prerequisites for tax separation certainly do not exist as far as our current political and economic realities are concerned. On the other hand, the Constitution of China stipulates that its "socialist economic system is based on socialist public ownership of the means of production." The contemporary principles for a state or a commodity economy are that the state must perform a dual function as the administrator of public affairs and the owner of national assets, and that national financial distribution must be in the two forms of taxes and profits. It should be pointed out that taxes and profits are two distribution categories that differ in attributes and functions. As profits reflect the economic efficiency of our national assets and the vitality of our socialist public ownership of the means of production, they should and always have accounted for a sizable percentage of our revenue. Applying a 10 percent fund-profit rate to our 1988 national assets of 1.6 trillion yuan based on incomplete statistics, profits from our national assets should have been about 160 billion yuan. How to include within a system of tax separation these profits, whose initial distribution accounts for about one-half of our budgeted revenue, is certainly not a simple distribution issue. While it is inevitable and normal that revenue comes mostly from taxes in all countries that practice tax separation, most of which practice mainly private ownership, it was the result of our fumbling change from profits to taxes, and is not necessarily normal, that taxes account for more than 90 percent of China's current revenue. Seen in this light, it



seems that our tax separation, whether it includes profits or not, is not necessarily either scientific or rational, and that it will remain hard to correctly handle the fiscal relations between the central and local governments.

**As the Key Factor in Our "Feudal Economy" Is the Lack of Separation Between the Party and the Government, and Tax Separation as a Thorough Form of Classified [fenji 0433 4787] Finance Will Further Consolidate the Financial Interests of Our "Dukes and Princes," but Certainly Not Be Able To Resolve the Lack of Separation Between the Party and the Government, It Will Be Impossible for Tax Separation To Become the Key Factor in Eliminating Our "Feudal Economy."**

While centralized leadership and classified management is China's basic fiscal management orientation, if the government's function, i.e., its legal jurisdiction, can actually be exercised effectively only through a classified order, then revenue and expenditure will have to be classified. However, governments at all levels having relatively independent revenue sources and expenditure budgets implies that they all have independent functions and interests that are different from other governments at the same level and governments at higher or lower levels. Therefore, classified finance is bound to lead to the regionalization of financial interests, which is a basic condition for and consequence of the effective exercise of government functions. While most countries that practice classified finance experience financial regionalization, this has not led to a "feudal economy" in most of them. A key feature of China's economy is that the government not only directly owns, but also actually manages most enterprises, which have always been its major source of revenue. Therefore, all current forms of classified finance are certainly based on a differentiation of enterprise administrative jurisdiction relations, which are used to delimit revenue and expenditure categories for all levels of government. This unavoidably causes the combined regionalization of financial interests and national assets operations, out of which our "feudal economy" grows. It can be said that the lack of separation between government administration and enterprise management is more of a factor in creating our "feudal economy" than is classified finance. Since tax separation, as a thorough form of classified finance, will further consolidate the financial interests of our "dukes and princes," but be unable to resolve the lack of separation between government administration and enterprise management, it will be absolutely impossible for it to become a key factor in eliminating our feudal economy.

**The Rational Distribution of Central and Local Finance Is a Very Complex Issue, and a Rational Cutting Up of the "Cake" Involves the Distribution Relations Between the State and Individuals More Than It Does Those Between the Central and Local Governments, Which Is Certainly Not an Issue That Can Be Resolved by Tax Separation**

The argument that central finance accounts for too low a percentage of state revenue is now quite prevalent. It is

directly based on one, successive years of central fiscal deficits in which revenue has not been able to meet expenditures and two, international comparisons. While the parties concerned and certain comrades hope to use tax separation to increase the percentage of central revenue and resolve the cutting up of the "cake" issue, this issue currently involves the distribution relations between the state and individuals more than it does those between the central and local governments. According to the currently prevalent account, the percentage of our GNP that goes to state revenue (including state budgeted revenue and local, institutional, and administrative unit extrabudgetary revenue) dropped from 34.1 percent in 1978 to 20.1 percent by 1988, while the percentage that goes to personal income rose from 48.5 percent to 61.1 percent, and the percentage that goes to enterprise income rose from 17.4 percent to 18.5 percent, which means that the drop in state revenue was basically absorbed by individuals. On the other hand, the current fiscal difficulties are being experienced not only by the central government, but also by local governments. In 1989, 1,298, or 55 percent of all counties (cities), had higher expenditures than revenue and had to rely on financial subsidies from above. At present, only about one-half of the provinces and cities throughout China are paying any revenue to the state, with 14 of them being unable to make up deficits and finding it difficult to be self-sufficient. Of course, while the causes of local fiscal difficulties need to be analyzed, it is still true that both the central and local governments are experiencing fiscal difficulties.

It is not enough to focus international comparisons to seek out the reason for "high consumption" of revenues only on certain developed countries, because even more lessons can be learned from the experiences of developing countries. The percentage of GNP that went to revenue in 1987 was 40 percent for developed countries, but only 24 percent for developing countries, including only 19 percent for low-income countries such as China, and was actually 18 percent for China, which was certainly not too low. In fact, China's current revenues are much different than they used to be or than those in other countries. For instance, extrabudgetary funds, about 40 percent of which are in central units, are now equal to about 95 percent of budgeted revenue. As to these extrabudgetary funds, which are rare or of little account abroad and used to belong to China's budgeted revenue, including their use or management in state and central revenue from the perspective of overall planning alone, might make it easier to discover the true condition of China's finances and central revenues. It can be said that the issue of central and local fiscal relations is a complex one, which certainly cannot be resolved by tax separation.

**While the Tax Separation Principle in All Countries Is Generally To Use the Income Tax as the Major Tax Category and Collect Taxes According to Law, China Uses Circulation Taxes as Our Major Tax Category, and Our Tax Legislation Remains To Be Clarified, Which Makes It Hard for Us To Practice Scientific and Rational Tax Separation**

Scientific and rational tax separation must be based on a unified and perfected tax system. The tax separation

principle in all countries is generally to use highly flexible income taxes as the major tax category for revenue collection, use a unified income tax rate, and collect taxes absolutely according to law. China currently uses circulation taxes with fixed percentage collection as its major tax category, which are mostly product taxes and subject to repeat collection. Moreover, quite a few product and appreciation tax rates were set to alleviate price contradictions when prices were irrational, and do not reflect state industrial policy. Income tax rates were set according to forms of enterprise ownership, such as state-owned, collective, individual industrial-commercial, Sino-foreign joint venture, Sino-foreign contractual joint venture, and wholly foreign-owned enterprise, and the tax burden is not spread evenly among these various economic components, with the income tax rate for state-owned enterprises being too high in particular. The circulation taxes in effect in the tax system for foreign nationals are based on the unified industrial-commercial tax set in 1958, and special taxes, such as license plate taxes for cars and boats and urban real estate taxes, are based on regulations set by the Government Administration Council (replaced in 1954 by the State Council) in 1951. It would be impossible to effectively practice tax separation with such tax categories and rates.

Legislative assemblies are enlarged budget committees that proceed from legislative power over taxation, and tax systems per se have legal significance. In all countries that practice tax separation, new or modified taxes must have a legal basis, and all tax collection limits, criteria, rates, and procedures must either conform to laws passed by legislative assemblies or be considered illegal. By December 1989, only three of China's 43 national taxes and two funds were directly legislated by our National People's Congress (NPC) and its Standing Committee. Until it is clarified in detail whether the legislative power over taxation actually belongs to the executive branch of our government or to the NPC, another prerequisite for tax separation, i.e., which legislative power over taxation belongs to the NPC and local people's congresses at all levels, will remain a key issue. These matters directly involve the issue of the degree of perfection of our people's congress system, the resolution of which will require a common understanding and time.

**The Practical Ways To Extricate Ourselves From Our Fiscal Predicament Are To Perfect Our Guaranteed Fiscal Payment System, Appropriately Devolve Legal Jurisdiction to Lower Administrative Levels, Make Quantitative Adjustments in Our Revenue Distribution Percentages, and Coordinate as Much as Possible the Legal Jurisdiction and Fiscal Authority of the central and Local Governments**

Perfection of our current guaranteed fiscal payment system, and tax separation, are major planks in our fiscal management reform, which will affect our overall reforms and developments, and must be handled with great care. Experience has proved that our three fiscal

reforms, which began in 1980 and have been characterized mostly by a classified payment system, have achieved good results, had a clear impact, conformed to the reform demands for appropriately devolving legal jurisdiction and fiscal authority to lower administrative levels, aroused the initiative of both the central and local governments, and proceeded from fiscal policy and funding to ensure economic growth and reform advances. In particular, the necessity and role of the reform, which was begun in 1988 and aimed at resolving the problems in our guaranteed payment system of the revenue decline from some areas that paid more to the central government, and the lack of local initiative to increase revenue, should be fully affirmed. While its key form was "to resolve through quotas and keep all increases," which basically guaranteed central finances too rigidly and is an issue that must be noted and resolved, this is a matter of payment system methods, which can be explored, perfected, and changed to either sharing increases or sharing overall revenue plus increases. This method of making quantitative adjustments in our revenue distribution percentages to appropriately resolve the "too low" percentage that goes to central finance, would be more practical and feasible.

Income taxes now account for a very small percentage of our taxation, while circulation taxes account for over 60 percent of it. Such a large single tax is inappropriate for everyone. Even with tax separation, circulation taxes are bound to account for too big a share of our taxation. Thus, the shares still need to be bargained. If tax separation actually turns into a guaranteed payment system, it will not have any positive significance. It should be pointed out that the basic current issue in central and local fiscal relations is still mostly not the drop in the percentage of central revenue, but rather that the fiscal authority that was devolved to the local level was not accompanied by legal jurisdiction. As far as central finance is concerned, the problem is that centralized revenue has been eliminated, while centralized expenditure has not. Therefore, the only practical ways to extricate ourselves from our fiscal predicament are to perfect our guaranteed fiscal payment system, appropriately devolve legal jurisdiction to lower administrative levels, and coordinate as much as possible the fiscal authority and legal jurisdiction of the central and local governments.

### **Foreign Deposits Increase in Beijing Banks**

*OW3101111591 Beijing XINHUA in English  
0841 GMT 31 Jan 91*

[Text] Beijing, January 31 (XINHUA)—Banks in Beijing received 630 million U.S. dollars in deposits in 1990, bringing the total amount of foreign currency savings in the capital to 1.78 billion U.S. dollars.

Lu Xueyong, president of the Beijing People's Bank of China attributed the rise in foreign currency savings to the efforts made by the city's financial circles to attract foreign currency holders.

To provide foreign investors and tourists and overseas Chinese visiting relatives in the mainland with conveniences, Lu said, Beijing's Industrial and Commercial Bank, People's Construction Bank, Agricultural Bank and Communication Bank have all opened services for foreign currency savings accounts. Lu noted that similar services are also available through bank agencies located in some of the country's most popular tourist spots, large hotels and guest-houses.

A few years ago, only the Bank of China was authorized to deal with foreign currencies.

Lu revealed that of the 630 million U.S. dollars deposited last year, 240 million were from individual depositors, most notably overseas Chinese, returned workers and employees, and foreign investors and businessmen residing in Beijing.

Lu said that he also expects a larger increase in the amount of foreign currency deposited this year. The growth in foreign currency savings will benefit joint ventures in Beijing, he said.

### Shanghai Securities Exchange Sets Market Record

*OW0102181091 Beijing XINHUA in English  
1506 GMT 1 Feb 91*

[Text] Shanghai, February 1 (XINHUA)—The Shanghai Securities Exchange (SSE) enjoyed a trade volume as high as 350 million yuan in the first month of this year, setting a new monthly record for China's stock market.

With 25 financial organizations from Beijing and Shanghai cities, and Anhui, Shandong, Jiangxi, Zhejiang and Hainan Provinces as its members, the SSE is actually a national securities market. At present there are 31 kinds of securities, including six kinds of government bonds, 17 kinds of enterprise bonds and eight kinds of stocks on offer.

General Manager of the SSE Wei Wenyuan told XINHUA that although a large part of the business is in government bonds, the stock exchange volume has risen to some 20 percent, compared with less than five percent formerly in the city's securities market.

Securities prices have been basically stable in the SSE. Wei said that strict administrative measures have been adopted to guarantee fair trading and protect the interests of investors.

Wei revealed that this year the SSE will try to increase its trade diversity and attract more members. Meanwhile, the financial situations of the companies and enterprises which are listed on the SSE will be publicized regularly.

## MINERAL RESOURCES

### Resource Development in Southwest 'Golden Triangle'

*91FE0266B Beijing GUANGMING RIBAO in Chinese  
25 Dec 90 p 2*

[Excerpt] [passage omitted] Who will be favored in the national policy and funding for the Eighth Five-Year Plan and even the Ninth Five-Year Plan? Authorities say China will do little or no favoring of any location, save for implementation of real production, with agriculture getting the emphasis, and following that, basic industrial output, and capital construction for energy, transportation, and raw materials.

The line of thought in concert with the sense of this strategy among specialists in southwestern development research curricula at major colleges in the Southwest, after in-depth study, have contrived the "ba (character) [bazi 1572 1316] strategy" for the development and construction of energy and mineral resources in the Southwest.

The chief proponent of this strategy, Chongqing University Professor Lei Hengshun [7191 0077 7311], recently introduced reporters to its content. Lei Hengshun says that the Southwest is China's richest natural resource area. Among the 44 leading indicators of natural resource endowment, the region takes first place in 17 and second place in 11 others. Its natural resource advantages can be summed up in four main areas: minerals, energy, climate, and biology. The Southwest has some of China's best deposits of such nonferrous metals as aluminum, tin, and lead; of the rare metals strontium and lithium; the precious metals platinum and silver; and the best deposits of titanium and chromium found in the country. The scope of the Southwest's natural resources constitutes superior conditions for a complete energy resource structure for water power and coal, electrical energy, ferrous metallurgy, smelter aluminum, yellow phosphorous, and rock salt, which are the ingredients for a high capacity industrial system; phosphorous, sulphur, and natural gas, the main ingredients for a chemical fertilizer production system; and a horizontal and vertical mountain terrain that mixes climate, soils, and biological resource systems. Even more important is the belt of unmatched natural resources in the heart of the Southwest, the Panxi-Liupanshui region, known as the "Golden Triangle."

How can the energy and mineral resources of the Southwest be developed? According to Lei Hengshun, the solution is to employ the "ba strategy." As he displayed a rough map, he explained that in reality the Southwest economy already presents a layout of points and axes connecting Chengdu, Chongqing, Guiyang, and Kunming. These are the Chengdu-Chongqing, Sichuan-Guizhou, Guiyang-Kunming, and the Chengdu-Kunming rail lines which form the "kou" (mouth) character. Enclosed in that is the "Golden Triangle." If the Neijiang-Kunming railway were completed and a

Nanning-Kunming railway constructed, they would complete the six lines of the "ba" character over the four provinces of the Southwest. This formation symbolizes the assemblage of the Southwest's agricultural, industrial (especially defense industries), and S&T (especially high-tech) forces. Using this as the support structure, then, at its center, the Panxi-Liupanshui region becomes the base and the point from which the stroke proceeds to the assemblage of energy, mineral, and natural resources of the four peripheral southwest areas: the "Wujiang River mainstream area" to the east, the "hydroelectric nonferrous metals base on the middle reaches of the Lancang River" to the west, the "Hongshui River hydroelectric mining development area" to the south, and the "Chongqing-Yichang belt of the Chang Jiang" to the north. These are the excellent strategic options for energy and mineral development in the Southwest.

Lei Hengshun is very optimistic about the feasibility and prospects for the "ba strategy" for development of the Southwest's energy and mineral resources. He told the reporters that the State Council has approved construction of the Nanning-Kunming railway, which means that the development conditions for the "Golden Triangle" are basically set. Relevant departments of the State Council, and the three provinces of Sichuan, Yunnan, and Guizhou have completed a consolidated development plan for the Panxi-Liupanshui region, which includes the early resumption of construction of part of the Neijiang-Kunming railway.

The biggest question concerning southwest energy and mineral resources development is funding. Lei Hengshun feels that the development funds question can be dealt with as two issues by dividing it up into start-up funds as one issue, and the placing of energy, minerals, and commercial products into one package as the other issue, and adopting separate policies for them. Development start-up funds must be sufficient: large and extra large funding must be made from national investments and foreign capital loans; local investments are the key to funding of medium scale items, central and local enterprises can be engaged through joint management or by pooling their development capital; small items can be offered to county levels and below; and independent planning, independent construction, independent use, and paying one's own debts should be instituted. Lei Hengshui believes what is more important is the full utilization of the parallel riches of energy and mineral resources, mixing of natural advantages, and a synchronized investment and development of energy and minerals, including local processing of finished products. The idea is to get an "energy, minerals, and commercial products package" onto a new course of development, to get a foothold in minerals, develop energy resources, depend on energy resources, process minerals, change minerals into commercial products, turn dormant assets into real cash so as to finally dispense with the funding predicament, and step into a grand development frontier.

It will be difficult to coordinate the terms and interests of the six lines of the four provinces and the many central departments into a unified action. Lei Hengshun believes that organizational reforms must be made. The regional and departmental barriers in the current system should be broken up, and a blend of central and local systems should be implemented, a united provincial, regional, and municipal cooperative organizational system should be formed, and a central and local enterprise joint exploration, utilization, and management model should be tested.

### **Xinjiang To Expand Nonferrous Metal, Gold Production**

*HK3101072091 Beijing CHINA DAILY in English  
31 Jan 91 p 2*

[By staff reporter Ren Kan]

[Text] An extra 200 million yuan (\$38.5 million) will be spent on construction and expansion projects in Northwest China's Xinjiang Uygur Autonomous Region over the next five years in a bid to turn the region into one of the country's key nonferrous metals and gold production bases in the next century.

Zhou Baoguang, director of the Xinjiang Nonferrous Metals Industry Corporation, said his corporation was planning to invest more than 500 million yuan (\$96.2 million) in such projects during the Eighth Five-Year Plan period (1991-95), compared with 300 million yuan (\$57.6 million) over the last five years.

With this money, Zhou said, the corporation would complete the construction of the Ashile Copper Mine by 1995.

The mine was capable of supplying enough high-grade copper ore to produce 20,000 tons of copper a year, he said, adding that China had to import large amounts of copper ore at present to meet domestic needs.

The corporation would also concentrate on the second phase in the construction of the Kala Tongke Copper and Nickel Mine in the hope of increasing its annual production capacity by 7,000 tons.

He said rich deposits of copper and nickel had been found in the region.

The corporation was also planning to increase its annual aluminium production capacity by 20,000 tons with the expansion of an aluminium factory in Urumqi, the capital of the autonomous region.

The region was expected to become the country's key lithium salt production base.

In addition, he said, the corporation would expand by 1,400 tons the annual production of the kind of rare metals used in the defence industry and in aluminium production.

With such efforts, Zhou said, the total output of nonferrous metals in 1995 was expected to hit 50,000 tons, compared with 25,000 tons last year.

The region was planning to set up three new gold mines while expanding the existing Hatu Gold Mine during the coming five years.

To ensure its steady development, Zhou said, his corporation would also strengthen geological exploitation. The State would provide 50 million yuan (\$9.6 million) to aid efforts to find gold and nonferrous metals deposits in the region.

## INDUSTRY

### Textile, Light Industries Fare Well in January

OW0802131691 Beijing XINHUA in English  
1259 GMT 8 Feb 91

[Text] Beijing, February 8 (XINHUA)—The first month of 1991 witnessed a good beginning for China's textile and light industry, according to the data released today by the State Statistical Bureau.

The production rate of most of the consumer goods climbed by varying degrees compared with the same period last year. Some durable goods, including washing machines, cameras, electric fans, bicycles, watches and electric cookers, registered increases of over 35 percent.

China's textile industry turned out over 40 percent more silk, wool fabric and knitting wool in January over the same period last year. Moreover, the outputs of chemical fibers, yarn and ready made garments also experienced remarkable growth last month. Statistics revealed that China's textile and light industry had experienced a great drop in productivity during the first three quarters of last year. Its production has risen again since the last quarter of 1990.

### 1990 Industrial Output Value in 13 Cities

HK2101125391 Beijing CEI Database in English  
21 Jan 91

[Text] Beijing (CEI)—Following is a list of industrial output value in thirteen Chinese cities under central planning in 1990, released by the China State Statistical Bureau:

	(in 100 million yuan)		
	Total	Percent	Light Industry
		Over 1989	
Shenyang	204.15	-0.4	70.74
Dalian	168.05	4.5	63.87
Changchun	97.01	-2.6	36.43
Harbin	125.52	-2.0	58.42
Nanjing	200.40	10.0	60.54

Ningbo	169.50	5.6	103.91
Xiamen	64.90	19.0	46.74
Qingdao	188.33	6.6	117.40
Wuhan	193.34	-4.5	82.69
Guangzhou	281.07	8.9	193.08
Chongqing	190.01	2.7	78.89
Chengdu	145.11	3.6	59.04
Xian	116.71	4.3	49.90

(industrial output value is measured in 1980's constant price)

### Industrial Production Rises in January

OW0802125991 Beijing XINHUA in English  
1234 GMT 8 Feb 91

[Text] Beijing, February 8 (XINHUA)—China's industrial production in the first month of this year saw an increase of 23.9 percent over the same period of 1990, totaling 175.8 billion yuan, according to the State Statistics Bureau here today.

Light industry grew 16.2 percent, according to the bureau. Most durable goods maintained steady growth and sharp increases of above 40 percent were recorded for products such as color TV sets, washing machines, video-recorders and cameras. Production of cotton yarn and cloth also picked up.

Heavy industry grew 6.6 percent to 85.9 billion yuan-worth in January, with coal up 15.8 percent and electricity up 15.2 percent. Pig iron, iron alloy, steel and rolled steel increased by 6.7 percent to 19.5 percent.

### Industry Acquires Amorphous Metal Alloy Technology

OW0602101891 Beijing XINHUA Domestic Service  
in Chinese 0847 GMT 5 Feb 91

[By GUANGMING RIBAO reporter Liu Sa (0491 7366) and XINHUA reporter Sun Jie (1327 2638)]

[Text] Beijing, 5 February (XINHUA)—Normally the production of a piece of thin steel would require more than 10 processes. With "amorphous metal alloy" technology, a key project under the state's Seventh Five-Year Plan directed by the Ministry of Metallurgical Industry, molten steel can be instantly turned into strips of thin steel. This important scientific achievement, a revolution in traditional metallurgical technology, was examined and accepted by the state today. The examining committee held that this technique has attained advanced international standards.

Amorphous metal alloy is a new material which appeared in the 1970's. The production process uses the supercondensation, with a cooling rate of 1 million degrees per second, to transform molten steel into strips. This reduces many of the processes employed in standard technology to produce cold-rolled metal strips and saves up to 80 percent of the energy normally required.

The microstructure of amorphous alloys produced with supercondensation technology is different from that in metals and alloys used by mankind for thousands of years. They have excellent magnetic, anti-resistant, high-tensile, high-ductile, and other properties. As a result, many countries compete in research and development of this product. According to sources, China began research on the development of amorphous metals and alloys in the 1970's. Amorphous metal alloy was included as a key technological research project under the Seventh Five-Year Plan in 1985, under the direction of the Ministry of Metallurgical Industry. The project was completed according to plan during the past five years, allowing China to take a major stride forward in the field of new materials.

According to briefings, China has built a 100-ton, autowinding, medium-sized, iron-based amorphous alloy experimental line in Beijing. This is presently China's largest amorphous alloy experimental facility. It has the largest furnace capacity, produces the broadest strip, and is the most automated. It can produce 30 meters of amorphous steel strips per second. Along with the United States and Japan, China is the third country to have mastered the technology of producing amorphous alloy strips via the autowinding process. China has launched research, development, and promotion of amorphous alloys in many areas. The production of iron and cobalt-based and iron-nickel alloys in China has become seriated and standardized. Power transformers of various capacities manufactured from Chinese-made amorphous strips cut no-load losses by as much as 68 percent when compared to cold-rolled silicon steel transformers. Experts predict that if the existing 20 million transformers in China's rural areas were built with amorphous alloy strips, 10 billion units of electricity would be saved each year. In addition, China's power industry and automatically controlled leakage switches use a great deal of amorphous alloy materials. According to incomplete statistics, in the metallurgical sector alone, output value from amorphous alloys has exceeded 15 million yuan.

After more than a decade of development, China's metallurgical industry has become a technological contingent engaged in the research and development of amorphous alloys. During the Seventh Five-Year Plan, it received more than 100 awards for scientific research.

### 1990 Output of Main Chemical Products

HK1701092791 Beijing CEI Database in English  
17 Jan 91

[Text] Beijing (CEI)—Following is a list of the output volume of main chemical products in 1990, released by the China State Statistical Bureau:

Item	Unit	1990	1989
Chemical fiber	10,000T	162.49	146.55
Sulphuric acid	10,000T	1168.91	1140.79
Dense nitric acid	10,000T	31.23	31.71

Soda ash	10,000 T	374.56	298.33
Caustic soda	10,000 T	333.78	321.15
Ethylene	10,000 T	157.16	140.52
Calcium chloride	10,000 T	223.31	238.18
Pure benzene	10,000 T	56.21	58.39
Synthetic ammonia	10,000 T	2125.09	2067.47
Fertilizer	10,000 T	1911.96	1854.71
of: Nitrogen	10,000 T	1479.70	1450.45
Phosphorous	10,000 T	425.53	398.78
Potash	10,000 T	6.74	5.44
Chemical pesticide	10,000 T	22.93	22.37
Paint	10,000 T	83.01	76.94
Dyestuff	10,000 T	14.17	13.29
Pharmaceuticals	10,000 T	17.24	19.64
Chinese patent medicines	10,000 T	22.31	21.92
Tyre	10,000	3196.88	3158.63
Synthetic rubber	10,000 T	31.62	29.17
Film	10,000M	12259	14458
Color Film	10,000M	11935	13690
Plastics	10,000 T	219.58	197.34

Notes: M—Meters, T—tons

### 1990 Output of Mechano-electronic Products

HK1701091591 Beijing CEI Database in English  
17 Jan 91

[Text] Beijing (CEI)—Following is a list of the output of China's major mechano-electronic products in 1990, released by the State Statistical Bureau:

Item	Unit	1990	1989
Power equipment	10,000KW	1142.69	1156.23
Alternating-current motor	10,000KW	3540.10	3950.48
Industrial boiler	T	54160	77545
Metal cutting machine tool	10,000S	11.78	16.53
Digital controlled tool	S	2176	2413
Precision machine tool	S	1033	1131
Large machine tool	S	2261	3811
Automobile	10,000	50.91	57.37
Truck	10,000	30.50	37.87
Tractor (over 20 H.P)	10,000	4.02	4.33
Small tractor	10,000	109.97	110.45
Locomotive	S	655	679
of: diesel	S	466	459
steam	S	24	53
electric	S	165	167
Passenger coach	S	1866	2000

Item	Unit	1990	1989
Freight wagon	S	22348	24051
Internal combustion engine	10,000KW	5513.9	6011.8
Fishing ship		93	94
Civil steel ship	10,000T	123.01	123.21
Computer	S	406	216
Mini computer	S	69368	67434
Pocket calculator	10,000S	1490.00	651.86
Program-controlled switchboard		10,000S	19.78
Film projector	10,000S	1.02	1.06

Notes: T—Ton, S—Set, KW—Kilowatt

### 1990 Output of Raw Materials

HK1601090991 Beijing CEI Database in English  
16 Jan 91

[Text] Beijing (CEI)—Following is a list of the output volume of raw materials in 1990, released by the China State Statistical Bureau:

Item	Unit	1990	1989
Iron Ore	10,000T	16831.7	16189.9
Pig Iron	10,000T	6186.6	5782.9
Steel	10,000T	6603.8	6124.1
Rolled Steel	10,000T	5120.87	4865.13
Ferro Alloys	10,000T	223.87	218.01
Coke	10,000T	5145.77	4636.85
Ten Nonferrous Metals	10,000T	229.37	207.99
of: Copper	10,000T	55.77	52.73
Aluminium	10,000T	84.47	74.38
Copper Products	10,000T	41.47	36.93
Aluminum Products	10,000T	40.02	32.21
Alumina	10,000T	146.58	132.10
Sulphuric-Iron Ore	10,000T	1251.64	1192.01
Phosphorus Ore	10,000T	2054.67	1848.21
Timber	10,000C.M.	3959	4471
Artificial Board	10,000C.M.	219.67	253.00
Cement	10,000T	20293.8	20436.70
Plate Glass	10,000C	8015.93	8350.78

Notes: M.M.—Million Meters, C.M.—Cubic Meters, C—Cases

### 1990 Volume of Textile Products Output

HK1001105591 Beijing CEI Database in English  
10 Jan 91

[Text] Beijing (CEI)—Following is a list of the output volume of textile products in 1990, released by the China State Statistical Bureau:

Item	Unit	1990	1989
Yarn	10,000t	445.06	463.23
Yarn	10,000pc	2477	2578
Cloth	100m.m	173.55	176.17
of: pure cotton	100m.m	98.86	109.88
chemical fiber	100m.m	20.88	
Silk	10,000t	5.52	5.02
Silk fabric	100m.m	15.55	14.80
woolen fabric	10,000m	26361	25677
Knitting wool	10,000t	19.94	21.30
Gunnysack	10,000pc	67806	74622
Garment	100m.pc	21.13	19.14

notes: m.m—million meter, pc—piece, t—ton, m.pc—million piece.

### Hebei Ranks First in Nation in Iron, Steel Output

SK0802103291 Shijiazhuang HEBEI RIBAO  
in Chinese 24 Dec 90 p 1

[Summary] Hebei Province boasts rich iron ore resources. In 1990, the output of iron ore from this province topped 25 million tons, and the output of pig iron reached 5.1 million tons and that of steel, 3.8 million tons, ranking second, fourth, and sixth among all provinces, cities, and autonomous regions in the country. The output of pig iron, coke, iron ore, and refined iron powder produced by local iron and steel enterprises ranked first in the whole country. The annual average per capita steel output of the whole province was 62 kg, much greater than the national average. Hebei has scores of metallurgical mineral resources underground. The verified iron ore reserves reached more than 6 billion tons, ranking third in the whole country. It also has supplementary mineral resources such as coking coal, limestone, and dolomite, providing favorable conditions for the development of metallurgical industry. Compared 1990 with 1985, the annual steel output increased 1.31 million tons, pig iron, 2.15 million tons and rolled steel, 900,000 tons. The province's 1990 gold output also increased more than 100 percent over 1985.

### 7th Plan Achievements of Hebei Metallurgy Industry

91P30095A Shijiazhuang HEBEI RIBAO in Chinese  
24 Dec 90 p 1

[Unattributed article: "Hebei Has Become a Major Steel-Producing Province; Advantage in Metallurgical Resources Is Converted to Economic Advantage and Annual Per Capita Steel Consumption Far Exceeds National Average"]

[Text] Hebei is known throughout China for its abundant iron ore reserves. Thanks to the efforts of the broad masses of cadres and workers on the metallurgy front, during the Seventh Five-Year Plan the province's dominance in metallurgical resources gradually became an

economic advantage. This year, Hebei produced more than 25 million tons of iron ore, 5.1 million tons of pig iron, and 3.8 million tons of steel, ranking second, fourth, and sixth respectively among China's provinces, municipalities, and autonomous regions. Local iron and steel enterprises' production of pig iron, coke, iron ore, and refined iron powder ranked first in the country, enabling Hebei to enter the leading ranks of steel-producing provinces. Annual per capita consumption of steel was approximately 62 kilograms, far exceeding the national average.

Hebei is rich in several varieties of metallurgical and mineral resources. Proven reserves of iron ore now stand at over 6 billion tons, third in the nation. Moreover, the existence of high-grade coking coal, limestone, dolomite, and other supplementary mineral resources has brought about a situation wherein our metallurgy industry enjoys exceptional advantages. Hebei invested 3.6 billion yuan in its metallurgy industry during the Seventh Five-Year Plan and gave priority to resource development and the technical transformation of enterprises, achieving notable results. At the present time, iron ore resources are being developed in more than 40 cities and counties in every part of the province. More than 230 ore dressing plants have been set up, and a large group of counties have sprung up that produce more than 1 million tons of iron ore annually, including Wu'an, Qian'an, and Qianxi. Not only does our province's iron ore production guarantee supply for Hebei's entire steel industry, but in the past several years it has also supplied ore to more than 70 iron and steel enterprises throughout China.

After undergoing technical transformation, Hebei's metallurgy industry formed a "three points and one line" [sandian yixian 0005 7820 0001 4848] production setup consisting of the iron and steel works at Tangshan, Xuanhua, and Chengde (the three points) and at Handan, Xingtai, and Shijiazhuang (the one line). During the Seventh Five-Year Plan, Hebei completed a large group of key construction projects of advanced domestic and international standards, including two 1260-cubic-meter blast furnaces, two high-speed wire rod rolling mills, five continuous casting machines, and two large-volume coke furnaces. At present, daily output of steel province-wide is 10,000 tons, equivalent to three years of output at 1949 levels. By 1990, annual output of steel had risen 1.31 million tons from the end of the Sixth Five-Year Plan in 1985, pig iron output had increased by 2.15 million tons, and rolled steel by 900,000 tons.

Our province has also made great strides in production of nonferrous metals and gold. This year's gold output in Hebei will more than double that of 1985, the last year of the Sixth Five-Year Plan.

### Market Reforms Benefit Liaoning Economy

OW0702121091 Beijing XINHUA Domestic Service  
in Chinese 0704 GMT 6 Feb 91

[By reporter Ma Yi (7456 5030)]

[Text] Shenyang, 6 Feb (XINHUA)—In its efforts to consolidate the economy and deepen reform, Liaoning has paid special attention to fostering its market system. Last year, the markets of capital, technology, labor, means of production, and consumer goods in the province further developed in quantity as well as in quality, making significant contributions to the province's economy.

With a huge number of large and medium-sized enterprises, Liaoning leans toward mandatory economic planning. The operational mechanism integrating mandatory planning with market regulation has helped inject new vitality into large and medium-sized enterprises which in the past relied on government support. As a result, more and more large and medium-sized enterprises in Liaoning have begun to compete in the market.

Liaoning, which had an early start in the reform of its financial system, has witnessed an unprecedented boom in its financial market. Last year, short-term credit between financial organizations totaled 58 billion yuan, an all-time high. As people in Liaoning become more and more knowledgeable financially, negotiable securities, especially enterprise bonds, have become such hot items in many cities in Liaoning that people have to wait in long lines to purchase them. Shenyang City, which opened the first securities exchange in China, now has more than 80 kinds of listed securities in seven categories. Last year, 1.77 billion yuan in securities were issued and 770 million yuan of securities were traded in Liaoning, accounting for one-fourth of the national totals respectively. Capital accumulation has effectively helped industrial and agricultural production and the construction of major projects in Liaoning.

Economic circles in Liaoning have realized the importance of science and technology in promoting production. The technological market, therefore, is thriving. A total of 20,000 technological contracts worth 760 million yuan were signed last year. Many scientific and technological achievements have been immediately turned into productive forces, bringing in remarkable economic results. For example, a new catalyst, developed by the Fushun Petrochemical Research Institute, has found markets in Shenyang and Guangzhou, collecting 32 million yuan in profits and taxes each year.

The more than 680 labor markets found all over the province have played an important role in helping solve unemployment in urban areas and stabilize society. Last year, 290,000 people in the province found employment, a record high for the "Seventh Five-Year Plan" period, 250,000 of which were obtained through labor markets. In spite of the fact that enterprises in the province suffered declining economic effectiveness and had little capacity for assimilating new employees, as well as a sharp increase in the number of jobless people, the unemployment rate in Liaoning dropped to below three percent last year from the 3.3 percent of the previous year.



The once-chaotic market of means of production has also improved, following consolidation. The number of such markets has reduced, and their quality has been raised. Take the steel product market for example. The number of companies dealing in steel products rose to more than 600 at one time; many of them either were engaged in illegal profiteering or conducting dishonest business. Now a steel trading center has been established in many cities, which not only helps stabilize prices but also provides enterprises with what they need. Last year, 1.7 million tonnes of steel products were traded in Liaoning, more than three times the quota set by central authorities.

People in Liaoning, who have long received a ration of "three liangs of cooking oil per month," have ample praise for the consumer goods market in the province. In addition to state-run and collective markets, there are more than 2,400 country markets in the province, which generated 10.5 billion yuan in sales last year. Some 80 percent of the meat, eggs, and vegetables consumed by urban residents comes from country markets. At present, various kinds of markets are moving into buildings and enjoy increasingly brisk business. The Xiliu Clothing Wholesale Store in Haicheng City, renowned throughout the country, garnered more than 600 million yuan in transactions last year, establishing itself as the wholesale center of northeastern China.

In its efforts to foster markets, Liaoning has paid special attention to strengthening market organizations and the market system. It has adopted a number of administrative regulations for examining and determining the qualifications and business scope of and for issuing permits to organizations dealing in means of production in a bid to strengthen the market order. In addition, Liaoning has also directed its attention to breaking up regional barriers and market monopolies and to enhancing mutually beneficial cooperation with other provinces and municipalities. Last year, short-term credit between Liaoning and other provinces and municipalities amounted to 10.2 billion yuan.

### Shanghai Industrial Production Increases

OW0402185291 Beijing XINHUA in English  
1523 GMT 4 Feb 91

[Text] Shanghai, February 4 (XINHUA)—Shanghai's industrial output value amounted to 15.2 billion yuan in January, marking a 5.4 percent increase over the December 1990 figure, according to the city's statistic bureau briefing held today.

Production in large- and medium-sized state-run enterprises increased at a comparatively faster rate last month. They generated a total output value of 9.3 billion yuan, 9.7 percent higher than the previous month.

The recovery of the market is believed to have led to the 25 percent increase in the production volume of durable family appliances, such as color TV sets, refrigerators, washing machines and vacuum cleaners in January.

The development of the city's raw materials and energy industries, which are under the encouraging and protective policies of the government, has also been sped up. The metallurgical industry and power industries, for instance, increased their outputs by 5.1 percent and 22.4 percent respectively, compared with December last year.

Moreover, the output value of foreign-funded enterprises exceeded one billion yuan last month, an increase of 15.3 percent over the previous month.

### Shandong Notes Increased Industrial Production

SK0702051591 Jinan DAZHONG RIBAO in Chinese  
9 Dec 90 p 1

[Summary] During the Seventh Five-Year Plan period, Shandong Province brought about the following six changes to its industrial production:

1. Its actual industrial strength has been enhanced. The primary value of industrial fixed assets has reached more than 100 billion yuan, a more than 60 billion yuan increase over the Sixth Five-Year Plan period. The number of industrial enterprises has reached more than 26,000. Of these enterprises, more than 800 are large and medium backbone enterprises and a 400 enterprise increase over the figure scored at the end of the Sixth Five-Year Plan period.
2. Its industrial production has continued to increase. The 1985 total industrial output value reached 61.8 billion yuan and that of 1990 is expected to reach 156 billion yuan, a 1.5-fold increase over 1985. The yearly average increase during the period has reached more than 20 percent. The position occupied by the province in the industrial production across the country has risen from fourth in the Sixth Five-Year Plan period to second in the Seventh Five-Year Plan period.
3. Its economic results have increased. Taxes and profits earned by the industrial enterprises during the period, which carry out their accounting independently, have shown a 54 percent increase over the figure scored at the end of the Sixth Five-Year Plan period. Per capita productivity during the period has shown a 29 percent increase over the Sixth Five-Year Plan period.
4. Product quality has been upgraded. During the period, 135 categories of products have won the state silver medals, 1,985 categories of products have won fine-quality prizes at the ministry level, and 3,000 categories of products have won the provincial fine-quality prizes. The rate of fine-quality products has reached more than 20 percent and shown an 8 percentage points increase over the figure scored at the end of the Sixth Five-Year Plan period.
5. Foreign exchange earned from exports has increased. During the period, the yearly average increase in foreign exchange earned from exports has reached \$100 million. Industrial enterprises which carry out their accounting independently have realized 11.2 billion yuan in export

commodity output value and shown a nearly 1-fold increase over the Sixth Five-Year Plan period.

6. Enterprise management has been enhanced. Since 1986, 12 enterprises across the province have passed the state acceptance test of first-grade managerial work, 467 have passed the state acceptance test of second-grade managerial work, and 1,886 have passed the provincial acceptance test of advanced managerial work.

### Shandong Reports on Technical Renovations

SK0602070191 Jinan DAZHONG RIBAO in Chinese  
15 Dec 90 p 1

[Summary] During the Seventh Five-Year Plan period, Shandong Province has scored marked achievements in technical renovations. The number of technical renovation items accumulated by the province over the past five years has reached more than 15,000. The province's investment in technical renovations during the period has reached 19.016 billion yuan, a 1.9-fold increase over the figure of the Sixth Five-Year Plan period. The newly increased output value accumulated from the renovated items during the period has reached 36.8 billion yuan and its newly-increased taxes and profits accumulated from the renovated items have reached 8.15 billion yuan. More than a half of the newly increased output value, taxes, and profits scored by the industrial enterprises each year during the five-year period has been accumulated from the renovated projects.

### Xinjiang Industrial Structure, Policies Examined

91CE0307A Urumqi XINJIANG RIBAO in Chinese  
21 Dec 90 p 4

[Article by Wang Enmao (3769 1869 5399): "Readjusting the Industrial Structure for Greater Reserve Strength in Economic Development—Forecasts From 'A Study of Xinjiang's Industrial Structure and Industrial Policy'"]

[Text] Formulating and implementing correct industrial policies to optimize resource allocation and gradually rationalize the industrial structure to improve macroeconomic returns is an objective requirement for guaranteeing the sustained, consistent, and coordinated development of the national economy. It is also an important task in currently improving the economic environment, rectifying the economic order, and deepening reform. "CPC Central Committee Decisions on Further Improving the Economic Environment, Rectifying the Economic Order, and Deepening Reform," passed by the Fifth Plenary Session of the 13th CPC Central Committee, explicitly requires the "vigorous readjustment of the industrial structure, increase in effective supply, and bolstering of reserve strength for economic development." Economic practice has raised the study of industrial structures and policies to an important place on daily agendas, and has aroused ever growing concern and serious attention. Thanks to the direct leadership and solicitude of the autonomous region's party committee and people's government, and the deeper study of

Xinjiang's economic development strategy, during recent years some economic researchers and people concerned with practical work have fairly systematically researched Xinjiang's industrial structure and industrial policies. The book titled *A Study of Xinjiang's Industrial Structure and Industrial Policy*, is an important accomplishment stemming from their useful inquiries in this area. This book and *A Study of a Xinjiang Economic Development Strategy for 2000* are said to be companion volumes. These two studies adhere to the party's basic line of using "one center, two basic points" as a guide. They emphasize linking theory and practice and proceeding from Xinjiang's specific circumstances and characteristics. Consequently, they are extremely effective, and of very great significance for Xinjiang's development and construction.

Industrial policy means deepening economic development strategies and putting them into concrete terms. It uses economic development strategies as a foundation, and it serves to realize the strategic goals of economic development. In connection with the goal of building a socialism with Chinese characteristics, the CPC Central Committee used Comrade Xiaoping's recommendations for formulating the strategic goal whereby the modernization of China's economy is to proceed mainly in three steps. The first step is solving the people's food and clothing problems by doubling 1980's GNP. The second step is redoubling GNP by the end of the present century, with the people's standard of living reaching a comfortably well-off level. The third step is substantially modernizing by the middle of the next century, with per capita GNP reaching the level attained in moderately developed countries, and the people being fairly well-to-do. Today, the first step has been substantially realized, and the second step is in the process of realization. This is the most crucial step. Xinjiang is to realize the strategic goal set by the autonomous region's party committee, which is to quadruple GNP over its 1980 level by the end of the present century, enable people's livelihoods to substantially reach the comfortably well-off level, and move forward in making Xinjiang one of the most important bases in the country's modernization during the 21st century. Realizing this strategic goal requires not only that gross economic output grow at a consistent and fairly high speed, but also that the industrial structure be readjusted and optimized for a substantial rise in economic returns.

The readjustment and optimization of the industrial structure has to have a clear, guiding thought. It has to be in keeping with requirements for building and developing the autonomous region and socialism throughout the country, and for improving the living standard of people of all nationalities. This requires closely linking the country's overall industrial policies with existing realities in Xinjiang, orienting them toward domestic and foreign markets, and making the most of Xinjiang's advantages in resources. Xinjiang is a fine place that has become even more beautiful as a result of more than 40 years of construction since liberation. It is a huge treasure-house of resources for the country, very rich in both

surface and underground resources. The vast cultivated fields and grasslands, ample light and heat resources, steady and latent water resources, and the fairly well-developed oasis water diversion and irrigation systems, as well as the fairly high level of agricultural mechanization are beneficial for growing grain, cotton, sugarbeets, oil-bearing crops, and fruits and melons. Xinjiang has all the conditions needed for building grain, cotton, sugarbeet, fruit and melon, and animal husbandry bases. Mineral resources are extremely abundant: they run the gamut of varieties available and have great development potential. In particular, prospects for developing petroleum, natural gas, coal, salt, saltpeter, chromium and iron ore, gold, non-ferrous metals, rare metals, and non-metals are extremely good. Xinjiang has all the conditions needed to become a fairly large-scale petroleum and petrochemical industrial base, a coal base, and a precious metals, rare metals, and non-ferrous metals base for the country. In addition, Xinjiang possesses the geographic and human advantages for opening to the west, and fine conditions for developing tourism. Utilizing and developing Xinjiang's advantages in many resources, particularly agricultural, animal husbandry, and oil and gas resources, and the advantages of its location in a forward position for opening to the west in order to accelerate Xinjiang's development holds important significance for changing its backwardness, gradually narrowing the gap between it and advanced inland provinces and autonomous regions, advancing the common prosperity of people of all nationalities, and consolidating the motherland's border defense. It also holds significance for developing a stable and unified political situation nationwide; for assisting the building of socialism nationwide; for advancing the coordinated development of the country's three major economic zones in the eastern, central, and western parts of the country; for raising all-around social productivity; and for realizing the strategic goals of the country's economic development.

In view of the aforementioned guiding thought and the status of Xinjiang's resources, for some time to come readjusting Xinjiang's industrial structure and formulating industrial policy must follow the principle of strengthening the foundation, making the most of advantages, paying attention to returns, and nurturing reserve strength, emphasizing key areas, and conducting orderly development while maintaining overall coordination.

First is the need to resolutely place the strengthening of agricultural and animal husbandry bases in a leading position. The consistently fine political and economic situation in Xinjiang since the Third Plenary Session of the 11th CPC Central Committee and the bumper harvests in the farming and livestock industries for 13 years running are closely related. Further close attention must be given to agriculture and animal husbandry; the key is to increase investment in the greater development of water and soil resources, and emphasize building water conservancies to increase reserve strength for the development of agriculture. Ensuring steady growth of grain

production should be the foundation for firmly building commodity bases for cotton, sugarbeets, oil-bearing crops, the livestock industry, and premium quality fruits and melons. Work to build the "three norths" shelter forests and farmland forest networks in the step-by-step development and improvement of the oasis ecological environment must continue.

Second is energetic development of the light, textile, and food industries. The plentiful resources that agricultural and livestock industry raw materials provide must be fully utilized in order to emphasize development of cotton, wool, hemp, silk, textiles, knitwear, clothing, sugar refining, brewing and distilling, dairy products, canned goods, fruit processing, leather and fur manufactures, arts and crafts, and special ethnic wares. While properly expanding production capacity, more must be done to transform key enterprises technologically, develop new products, improve quality, increase grades, and raise levels in order to improve market competitiveness and foreign-exchange-earning capabilities.

Third is accelerated development of the petroleum and chemical industries. The production potential of old oilfields such as Karamay should be fully tapped, and more prospecting and development done in new oilfields in the Tarim, Dzungarian, and Turpan basins to enable Xinjiang to become a strategic follow-on area in the nation's petroleum industry as quickly as possible. The chemical industry, principally the petrochemical and salt industries, must be vigorously developed, with emphasis on building key projects for producing ethylene, polyester, chemical fertilizer, soda ash, and caustic soda. Active preparatory and service work must also be done for large-scale development of oil and gas so as to closely link the development of the petroleum industry with development of Xinjiang's local economy, powerfully energizing and advancing development of the local economy. The readjustment and enhancement of the machinery industry must accompany development of the petroleum and chemical industries.

Fourth is accelerated development of the raw and processed materials industries. In addition to emphasizing development of the petroleum, petrochemical, and salt industries, active efforts must be made to develop the coal, steel, building materials, non-ferrous metals, and rare metals industries. Efforts must be made to increase products in short supply, such as coal, steel, gold, copper, and nickel, in order to satisfy needs within the region and assist in the building of the country.

Fifth, prominent place must be accorded development of the electric power industry, and communications and transportation. Developing Xinjiang's abundant resources requires solving the "power" and "arterial" problems that limit economic development. Construction of key electric power plants and grids in Manas, Urumqi, Jilintai, and northern Tacheng must be given close attention. At the same time, the problems of 11 counties having no electricity and of electricity use in

some pastoral regions must be solved so that development of the electric power industry is consistent with the development of industrial and agricultural production. Increases in railroad transportation capacity out of Xinjiang, improvement of the region's trunk highways, and construction of communications hubs should be the principal focus for gradually building comprehensive transportation and posts and telecommunications networks in which railroads and highways play the main role, supplemented by pipelines, air transportation, and nongovernmental transportation, in meeting the needs of development and opening to the outside world.

Sixth, in order to meet the needs of the aforementioned development in industry, vigorous efforts will have to be made to improve geological prospecting, accelerate the discovery of proven mineral resources such as petroleum, coal, and non-ferrous metals, and determine the hydrogeological situation. Education and science and technology must continue to be given an important strategic position, and we must devote vigorous effort to training capable people, particularly capable people from among national minorities. We must rely on scientific and technical progress to steadily increase the labor productivity rate. It is also necessary to actively develop foreign trade and tourism in an effort to increase foreign exchange earnings.

For historical, geographical, and environmental reasons, Xinjiang's current level of economic development is still relatively low. Gross economic output still occupies the rear ranks of the country as a whole, and it faces numerous difficulties and problems. Nevertheless, in terms of long-term development, Xinjiang offers tremendous potential and fine prospects. With the development of the country's socialist modernization, the focus of national construction is bound to shift from east to west. Xinjiang's superior resources are just the resources that industries urgently need to encourage their development. Therefore, with vigorous support from the party and nation, as well as from fraternal provinces, municipalities, and autonomous regions, Xinjiang will utilize its resource advantages and the advantage of its location in opening to the west to overcome the difficulties it faces. It is entirely possible for it to accelerate the pace of construction and advance to a new stage of development, and it can be predicted that, by the middle of the 21st century, Xinjiang will surely have become one of the most important bases for the modernization of the country, making a greater contribution to the country.

Comrade Mao Zedong pointed out that, "The basic task of leading organs of the Communist Party is to understand events and closely watch policies. The first matter is the so-called understanding the world, and the second is the so-called transformation of the world." Only by understanding the world can one transform it. We must conscientiously and systematically study Xinjiang inside and out, as well as the status and trend of economic development inside and outside the country, in order to be able to formulate industrial policies consistent with Xinjiang's realities. Only such an industrial policy can

have vitality and significance for guiding reality. The autonomous region people's government's economic research center, and the autonomous region's planning commission and its science commission took the lead in organizing more than 100 experts, scholars and people involved in practical work to take part in the completion of a book titled *A Study of Xinjiang's Industrial Structure and Industrial Policy*. This book is based on national and autonomous region economic development strategies and on national industrial policies. It uses a comprehensive analysis and assessment of the status of Xinjiang's resources, the present industrial structure, and the trend of development as a basis for selecting an industrial development pattern that is "integrated overall and suitably slanted towards development." It explicitly recommends a rational orientation and emphasis for Xinjiang's industrial structure and for enterprises' organizational structures, and it also makes a whole body of industrial policy recommendations suited to Xinjiang's circumstances. These recommendations basically coincide with my viewpoints expressed above, and I approve of them. This achievement has been examined, approved, and authenticated by experts and scholars inside and outside of the region, and it has been unanimously well evaluated. This shows that this book is scientific and a valuable reference. It provides party and government leaders in the autonomous region with very fine policy advisory opinions.

When *A Study of Xinjiang's Industrial Structure and Industrial Policy* was being edited, published, and issued publicly, I wrote the above paragraphs both to offer my congratulations on the publication and issuance of this book, and to take the opportunity to recommend this publication inside and outside the region. My goal was to capture the serious attention of leaders, economic theoreticians, and departments concerned with practical work at all levels toward Xinjiang's industrial structure and industrial policies. I also hoped that this book would be used for further, in-depth research in order to make greater achievements in advancing the sustained, stable, and coordinated development of Xinjiang's national economy. (Note: Title added by editor.)

## SMALL-SCALE ENTERPRISES

### Commentator Praises Township Enterprise Performance

91CE0271A Beijing JINGJI RIBAO in Chinese  
15 Dec 90 p 1

[Article by JINGJI RIBAO commentator: "Commentary Commends Township Enterprise Performance"]

[Text] Township enterprises have made considerable progress in the first year of the 1990's. The production growth rate is about 12 percent. The gross output value of township enterprises in 1990 is expected to be 950 billion yuan, accounting for one-fourth of the nation's gross value of social output and equivalent to the nation's gross value of social output in the early 1980's.

Foreign exchange earned by township enterprises through exports grows at the average rate of over 35 percent and will account for one-fourth of the nation's total amount of foreign exchange earned through exports in 1990. At the same time, there will be a big increase in the amount of taxes turned over to the state.

Under these circumstances, when funds are tight and market sales are sluggish, township enterprises can still make notable achievements. This is an important result of economic improvement and rectification and the deepening of the reform. As a new force, township enterprises are playing an increasingly important role in the nation's economic life, which has caused people to look at them with new eyes.

The tenacious vitality of township enterprises is undoubtedly associated with the historic inevitability of their emergence and development, and with their internal dynamics. Because they are run by peasants and are an important component of national industrialization, township enterprises are closely related to the immediate interests of hundreds of millions of peasants, and related to peasants' desires to convert poverty into prosperity, become moderately well-off, and promote the four modernizations. Although differing viewpoints and debates concerning township enterprises have never ceased since they were first formed, under the guidance of the party's policies of reform and opening up, they could always overcome all sorts of difficulties and make progress in accumulating their own funds, developing and restricting themselves, and assuming responsibility for their own profits and losses. This mechanism, which does not rely on the "iron rice-bowl" or "eating from the same big pot," has become a strong, driving force constantly promoting township enterprises to realize success for good enterprises or failure for poor ones, and gradually develop under fluctuating market conditions.

Facts have incontrovertibly proved that if we want to realize modernization in China, we must gradually modernize rural areas, where over 80 percent of the nation's population resides. The only way for rural areas to be modernized is by developing township enterprises. Since reform and opening up began 10 years ago, the great changes faced by rural production structures and the countryside have been due to township enterprise development. Right now the major means by which peasants can increase their incomes depend on township enterprises. In localities where township enterprises are well-developed, township enterprises have played an important role in stabilizing agricultural production and in achieving agricultural modernization; this role must not be underestimated. More than 20 billion yuan in funds obtained from rural industry for supplementing agriculture have been invested in agriculture. Under the conditions when the state's financial resources are tight and the local finances are in difficulty, these funds have exerted an impact on agricultural harvests and on rural economic development in recent years that cannot be underestimated. Over the past few years, the countryside has seen agricultural development and rural stability.

Despite the great reform of introducing the household contract responsibility system, the development of township enterprises have also contributed much to strengthening agriculture's basic status and stabilizing the overall situation.

Imagine, if 90 million surplus agricultural laborers had not been absorbed by township enterprises, what impact would they have had on social stability? If township enterprises had not produced nearly one-third of the gross value of industrial output and earned one-fourth of the nation's foreign exchange, what kind of situation would the nation's economic strength be in?

The rise of township enterprises in China is the inevitable result of the nation's conditions as well as of its economic development. With their remarkable achievements, township enterprises have justified their own position and role in China's economic life. As an outcome of building socialism with Chinese characteristics, the development of township enterprises has provided a new path for us, under China's own conditions, to modernize rural areas and to achieve industrialization. Township enterprises will play an important role in further reducing the differences between urban and rural areas and between agriculture and industry, and in implementing and achieving developmental strategies and goals by the end of this century and through the middle of the next century.

It is because of this that in recent years leading comrades of the Central Committee and the State Council talked many times about strengthening the study and popularization of township enterprises. They offered the praise that "our township enterprises are an original creation in the world." "The more you look at township enterprises, the more you like them." They asked for "positive comments on township enterprises' role in developing the Chinese economy." The achievements and changes of township enterprises in 1990 are indeed worth serious study and treatment.

Of course, when studying nearly 20 million township enterprises, we cannot help but squarely face the existing problems in township enterprise development. Praising the achievements made by township enterprises does not mean that their problems should be "shielded." With today's scale of development, township enterprises urgently need to strengthen their institutional construction and put township enterprises on track with the state's macroeconomic regulation and control. In this way, we can closely coordinate and link township enterprise development with the state's industrial policies and development demands, which can promote the healthy development of township enterprises. This is not only an urgent requirement of township enterprises to further upgrade their development, but it is also the proper meaning of combining the planned economy with market adjustments.

### Township Enterprise Development Praised

91CE0230A Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 17 Dec 90 p 1

[Article by Shu Hua (5289 5478) and Mu Chuan (2606 1557): "Commentary: Looking Back on the Seventh Five-Year Plan and Forward to the Eighth Five-Year Plan—Township Enterprise Achievements Cannot Be Denied, But the Burden Is Heavy and the Road Is Long"]

[Text] Township enterprises underwent vigorous improvement and rectification during the Seventh Five-Year Plan and are striding into the Eighth Five-Year Plan full of confidence. Looking back on the Seventh Five-Year Plan, with proper guidance from party policy and arduous struggle of all of the cadres and workers, township enterprises made a tremendous contribution to the nation and society and accomplished the goal of ushering in a new phase set by the government. Especially when the national economy was encountering temporary difficulty, with thorough and complete party and state policies of "active support, proper planning, correct guidance, improved management," and "improvement, rectification, reform, and improvement," township enterprises fully utilized their advantage of flexible organization to overcome fiscal difficulties, a severe shortage of raw and processed materials, the market slump, and being surrounded on three sides by debt and entered a new stage of total improvement. In recent years, township enterprise development has exhibited the following principal characteristics:

—Conscientiously adapting to the requirements of the overall plan of the state industrial policy for the national economy and social development, actively adjusting, improving organization, and maintaining sustained, healthy growth. In five years, the ranks of township enterprise workers have increased from 69.79 million to an estimated 92 million, an increase of over 20 million jobs in the surplus labor force, making up 57.6 percent of the people placed in new jobs throughout the nation in that period. Wages received by peasants working in township enterprises in the five years amounted to 448.9 billion yuan. This played a big part in enriching the peasants and stabilizing agriculture and the countryside. The gross value of industrial output (GVIO) increased from 275.2 billion yuan to 950 billion yuan. New increases in the value of industrial output of township enterprises made up 38 percent of the national net increase in GVIO for the same period and 84.9 percent of net increase in GVIO for rural society. The net increase in the output value of township industries made up 57.4 percent of the net increase in the value of industrial output nationwide, adding to society's effective supply, strengthening the socialist economy, and increasing accumulated enterprise fixed assets by over 200 percent, from 77 billion yuan to 285 billion yuan, making up 83 percent of rural accumulated fixed

assets, and strengthening the socialist public ownership economy and the rural collective economy. The export economy grew by leaps and bounds. Foreign exchange earned from exports increased by over 200 percent from US \$3.9 billion to over US \$12.5 billion, nearly one-fourth of the national foreign exchange earned from exports. It should especially be noted that, through adjustments in township enterprise structure and distribution over the years, over 85 percent of enterprises and products conform to state industrial policy requirements and have made progress in structural improvements and more equitable distribution.

—Conscientiously giving further play to "self accumulation, self restraint, self adjustment, and self development," gradual systematic improvement, and flexible superiority, in accordance with the principle of combining planned guidance with market adjustment. While trying to make progress at overcoming difficulties, township enterprises, as required by the government, began by initiating such ideological and political activities as, "I make a suggestion to the enterprise" by means of the "three basics" (basic line, basic policy, and basic national conditions) and the "three histories" (history of the factory, family history, and personal history) education, arousing the enthusiasm and the creativity of the vast majority of cadres and workers to enhance the "four innumerable" (innumerable trials and tribulations, thousands and thousands of words, numerous mountains and rivers, and every means possible) spirit peculiar to township enterprises, driving them to share responsibility for the nation and strive to outdo one another in making a contribution. In the face of such difficulties as idle funds and arrearages, they have taken advantage of "when everybody adds fuel, the flames rise high" and have used several methods such as collecting money, buying shares, and internal factory banks to raise funds to make it through the difficulties. Confronted with a market slump, the township enterprises held firmly to the belief that "it is only a market slump, not a weakness in the products," and enthusiastically adopted such measures as "fine tuning industry, slowly adjusting the trade and rapidly adjusting the product," and relied on scientific and technological advances to develop new products and create top quality products, and while further developing a multi-level domestic market, actively opening up the international market, "repairing the outer dyke when the inner dyke is damaged." This not only exhibits a great fearless spirit that "there are always more means than difficulties," but also shows everywhere that township enterprises have a flexible adaptability and tenacious vitality in developing the socialist commodity economy.

Conscientiously "raise the scale and raise the standard" in making advances in management and socialization and specialization of production. Township enterprises have gradually progressed from the past emphasis on "a

small boat may change course quickly" to the double emphasis on "a small boat may change course quickly" and "a large boat may weather heavy seas." In the Seventh Five-Year Plan, township enterprises, through horizontal integration and merger, made more equitable circulation and more favorable combinations of productive elements. Now various localities have established a large number of enterprise groups or enterprise blocks, with over 15,000 enterprises having an annual output value in excess of 5 million yuan. Just as Vice Premier Tian Jiyun [3944 4764 0061] pointed out, "Township enterprises are no longer at the level of rice husking and polishing as we had originally thought. We cannot look at them as we did in the 1960's, 1970's, or even the early 1980's. Township enterprises have now progressed far beyond that level. In some trades they are developing highly sophisticated products."

- Conscientiously grasping the opportunity to meet the demand, developing both the domestic and the foreign market and the growth rate of foreign exchange earning export enterprises. At the end of the Seventh Five-Year Plan, township export enterprises throughout the nation may reach over 5,000 and it is estimated that export foreign exchange earnings will reach over \$12.5 billion, an increase of over 200 percent above the end of the Sixth Five-Year Plan and nearly one-fourth of national export foreign exchange earnings. It is estimated that 1990 nationwide township enterprise export foreign exchange earnings growth will be higher than 35 percent, in coastal developed regions it will even exceed 50 percent. Presently, there are nearly 200 enterprises with a trade, industrial, and agricultural base and over 150 enterprises with a machinery and electrical appliance export base and foreign trade enterprises with an expanded right to manage their own affairs. Triple investment enterprises and industry and trade joint management enterprises are growing by leaps and bounds. In several regions township enterprises have gone from being a new force in foreign exchange earning exports to being the main force.
- Conscientiously rectifying their relationships with and actively contributing to the state, agricultural, and rural economies. In the Seventh Five-Year Plan, nationwide 21.6 billion yuan in township enterprise earnings was used for agricultural repairs and construction and 32. Four billion yuan was used for various rural projects. The common destiny of township enterprises and agriculture is becoming even more firmly established, the alliance of industry and agriculture has been further strengthened, and urban-rural integration has further developed. Spiritual civilization developed at the same rate as material civilization.
- Conscientiously promoting scientific and technological progress, improving management, and further enhancing enterprise quality. The 1990 "management year" activity was remarkably successful. Nationwide the standardized rate of coverage for township and

village enterprises has improved from under 50 percent at the end of the Sixth Five-Year Plan to over 85 percent now and nonstandard production has been eliminated. Enterprises judged at the proper standard or a higher standard increased from around 150 to over 14,000. The metrological and inspection offices of several enterprises have been made local or national metrological centers by local or national metrological departments. Over 6,000 enterprises have received over 7,000 production licenses, one-third of the total licenses received nationwide. Township enterprises were granted 139 scientific and technological progress awards and 36 products were named national high quality products, more than twice the 15 in the Sixth Five-Year Plan. During the Seventh Five-Year Plan, 2,001 township enterprise products were named high quality products by the ministry, a more than 200 percent increase over the 562 during the Sixth Five-Year Plan. Fifteen received international gold medals, three times the Sixth Five-Year Plan period. One hundred and seventeen were named national second class enterprises and over a thousand were named provincial advanced enterprises. Nationwide 40 large and high level township enterprise educational training centers and 4,400 basic training bases have been established. During the Seventh Five-Year Plan, altogether 15 million workers were trained, greatly improving the political ideology, education and skills, and management quality of the workers. Township enterprises' .04 percent level of technical personnel in the Sixth Five-Year Plan improved to 2.75 percent. The overall improvement in enterprise and worker quality have been given strong impetus by enhanced basic management and specialized management as well as education and training.

Looking to the future, the 1990's is a key decade for developing socialism with Chinese characteristics and the Eighth Five-Year Plan is a key period in realizing the second stage goal of the Chinese economic development strategy. During the Eighth Five-Year Plan, township enterprises should further develop according to local conditions. Not only should the east and the developed regions fully utilize their strong points and strive to improve their standards, but major efforts should also be made to develop the central and western regions. Just as governmental leaders have pointed out, There are not many township enterprises in the central and western parts, in fact they are few. So, during the Eighth Five-Year Plan, we should continue to hold fast to the consistent party and state policy of "active support, proper planning, correct guidance, and improved management" in developing township enterprises, actively supporting and guiding township enterprises into a new stage of totally improved, sustained, and steady development.

To accomplish this goal, in developing township enterprises throughout the country, we must further insist on implementing the strategic change of direction of progressively relying on science and technology, laying equal



stress on intensive and extensive development, equal stress on economic performance, social performance, and ecological performance, simultaneous development of domestic and foreign markets, specialized and socialized development of production and management, and modern business administration that advances science.

Township enterprise administrative departments at every level should improve their macroeconomic coordination and guidance and urge enterprises to be even more aware of coordinating with the overall plan for the national economy and social development and further enhance township enterprise programs and plans, as well as structural improvements. They should further develop bilevel and bipartite activities, concentrating on improved economic performance and quality, and give impetus to technological progress, intensifying enterprise reform, improving and giving further play to enterprises' flexible organization and enhancing their capability for self accumulation and self development. They should further improve enterprises' basic and specialized administration to give impetus to the development of a service system, and they should do a better job of agricultural repair and construction to promote rural modernization and make a greater contribution to the nation.

#### **Agriculture Official Discusses Township Enterprises**

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[Article by Chen Yaobang, vice minister of agriculture: "National Township Enterprises Overcoming Difficulties and Maintaining Steady Development"]

[Text] Since the beginning of this year, local areas have conscientiously carried out state industrial policy and the principles of improvement and rectification put forth by the CPC Central Committee and the State Council in developing township enterprises. With the active support and guidance of government and party committees at all levels, township enterprise cadres, and employees have actively taken the initiative to readjust and deepen reform, so that township enterprises have overcome many difficulties and continued to develop.

According to statistics from 28 provinces, municipalities and autonomous regions, the gross value of output completed in the first nine months of this year grew 11.6 percent over the same period last year and the volume of trade in export goods grew 25.1 percent. From January to October, the gross value of industrial output by township enterprises was 442.8 billion yuan, 345.2 billion yuan of which rural collective industry completed and 97.6 billion yuan of which individual joint household industry completed, for growth of 12.5 percent and 12.3 percent, respectively, over the same period last year. Among the primary output of township industry, electricity generated grew 14.4 percent over last year, machine-made paper and cardboard grew 6.1 percent,

raw coal grew 3.1 percent, arts and crafts goods primarily for export grew 14.4 percent. Due to contraction of capital construction and the impact of market softening, township enterprise cement and manufactured goods, bricks, iron agricultural tools, leather goods, and canned goods declined to varying degrees.

This year, the following list characterizes township enterprise development:

1. Production is rising again month by month. Beginning in March of last year production growth declined month by month bottoming out in January of this year. After March it exhibited a slow climbing trend: in April it grew 8.1 percent, in May, 9.5 percent, in June-August the growth was above 10 percent, in September, growth was 11.6 percent and in October, 12.5 percent.

2. Foreign exchange earnings from exports are maintaining good momentum. This year, with the weak domestic market, township enterprise has actively moved into the international market. In the first quarter, township enterprise export trade increased 40.1 percent over the same period last year, in the second quarter, growth was 38 percent, and in the third quarter growth was 25.1 percent, exceeding the 20 percent growth rate demanded by the state plan. The "three forms of import processing and compensation trade" wage expenses grew 17.8 percent. The provinces and municipalities whose growth in foreign exchange earned from exports was rapid included Fujian, Henan, Zhejiang, Shandong, Beijing, Shanghai and Guangdong. The export products that exhibited the greatest growth increases were arts and crafts goods, light industrial, mining, clothing, and food products.

3. Taxes paid to the state continue to increase. According to statistics from such provinces and regions as Jiangsu, Shandong, Liaoning, Jilin, Heilongjiang, Hebei, Guangxi, Ningxia and Hubei, while profits realized declined, taxes paid to the state by township enterprises grew 6.6 percent in the first nine months of this year.

4. The scale of capital construction was under control and investment in fixed assets declined. The scale of fixed assets investment by township collective enterprises in the first half of this year diminished 15.5 percent compared to the same period last year.

Based on an analysis of production circumstances, it is estimated that this year, township enterprises may realize gross value of output of 950 billion yuan, the value of industrial output is predicted to be 700 billion yuan, a growth of roughly 13 percent for each; the total amount of township enterprise export goods trade is projected to be 50 billion yuan, a growth of 35 percent; rural collective enterprise fixed assets investment is projected to diminish 8 billion yuan over the previous year; the remaining amount of loans granted by the agriculture bank to rural collective enterprises will grow 3.6 billion yuan over the previous year.



Township enterprises may continue to develop in the general environment of improvement and rectification. I think that the most important factor is that the local areas have firmly and unswervingly carried out the Central Committee and State Council's general principles for township enterprises of "support actively, plan sensibly, guide correctly, and improve management" and the principles of "improve, rectify, transform, and improve" in improvement and rectification. This has spurred on the development of township enterprise. This year the leadership comrades of the CPC Central Committee have repeatedly talked about the important role played by township enterprise in sustained and steady development.

Second, the inherent vitality and the superior operating mechanism is a basic driving element of township enterprise development in difficulty. The peasants are aware that the path of developing township enterprise is an objective demand of developing a collective economy born of their ardent wishes to cast off poverty and become well-off. Whatever the difficult conditions, the peasants believe that the party's line and principles have not changed, and their desire for development and a comfortable life have not changed, their initiative has not diminished. Many years of practice proves that township enterprise is the only way to invigorate the rural economy. Township enterprise fully exploits and employs the special market management mechanism, the dominant position in the competition of superior and inferior, the composite mechanism that combines production factors optimally, the distribution mechanism of the more you work the more you earn, and the hazard mechanism of being responsible for one's own profit and loss: the total effect of these mechanisms gives township enterprise a powerful adaptability and flexibility so it can exist and develop in difficult circumstances.

Third, they actively carried out the strategic shift, seeking to speed up intensive growth, and striving for development. Carrying out the "double tight" policy caused unprecedented problems for township enterprise capital. Under these conditions, township enterprises generally changed the emphasis of production development toward intensive growth: improving enterprise management, survival based on quality, growth based on new products, stressing mainstays and ensuring key points, emphasizing improving the investment structure, concentrating the investment of limited capital in key projects, undertaking technological transformation in a big way, uncovering potential and economizing, improving labor productivity, and taking the path of relying on intensive growth to develop production. From the situation in a variety of localities, the proportion of growth of township enterprises due to extending expanded reproduction outward has caused evident changes. Of a growth rate of 13 percent, most of this was due to intensive growth. Of the 13 percent growth rate in Xindu County, Sichuan in the first nine months of this year, five percent was due to uncovering potential and

the technological reform of existing equipment, two percent was due to investment this year in two technological transformation projects, one percent was due to starting up new products, one percent was due to funds for short term loans to rescue enterprises that had closed down, and two percent was due to this year's investment in enterprises.

Fourth, facing an economic slide at the beginning of the year, local areas strengthened plan implementation and production control for township enterprises and established a plan for an accounting and production control meeting system. This called for the department in charge of county level township enterprises to convene a production control meeting every month and an economic analysis meeting every quarter. Through production control meetings and analysis meetings at every level, they linked the situations in a timely fashion and could get a grip on plan progress and problems, promptly coordinate with relevant departments, actively help enterprises resolve difficulties with funding, energy, materials and transportation, effectively organize production and ensure the realization of the annual plan.

Fifth, this year, with the dual shock of a soft market and shortage of capital, due to clearly demarcated policy limits, several million supply and marketing personnel of township enterprises made the most of the "four thousands" spirit: "cross thousands of mountains and rivers, discuss thousands of things, think of thousands of plans, endure thousands of difficulties." They improved product sales that spurred on the general situation. The Chentai sailcloth plant in Jinzhan district, Hanzhong City, Shaanxi province had 280,000 m of overstocked products. The plant manager took the lead to divide the sales force of a dozen or so salesmen among three routes. They went to over 20 cities in eight provinces and not only sold all the overstocked products, but received orders for over 4 million m, equivalent to one year's output.

Sixth, departments in charge of township enterprises in provinces, municipalities and autonomous regions conscientiously carried out "Regulations on Rural Collectively Owned Enterprises in the People's Republic of China" promulgated by the state council, arranged to launch an enterprise management year, deepened the development of the "double increase and double economy" movement, and did much work. Beijing, Guangdong, Henan and Jiangxi, in particular, were more outstanding and were more characteristic of the breakthroughs to varying degrees in improving the policy environment and the economic environment. The party committee and government of Guangdong Province formulated ten policies that created a more relaxed environment for township enterprises. The Beijing Municipal Government arranged for over 600 million yuan in loans for township enterprises, provided 78 million yuan in technological improvement funds, allocated over 3 million yuan in circulating capital so that in

the first six months the gross value of output for the municipality's township enterprises rose 20 percent and profits grew 16.3 percent.

Looking over the distance travelled by township enterprises this year, I think that under the guidance of the policy of the CPC Central Committee and the state's macroeconomic plan, "don't wait, don't lean, strengthen oneself and struggle" is the basic experience of township enterprise in overcoming difficulties and maintaining stable growth.

Currently, the problems that exist in township enterprise are mainly that its strategic position in national economic and social development has not yet been fully recognized. In particular, society is not yet completely aware that the community relationships of township enterprise and state-run enterprise, township enterprise and agricultural production that are mutually complementary and interdependent. Departments in charge of township enterprise lack control erdependent.

Departments in charge of township enterprises. There are many interprises that are of poor quality, have little capacity for accumulating capital themselves, and little ability to transform themselves. Many enterprises manage too much debt, investment has clearly declined, technological transformation and equipment replacement have been interrupted, the township enterprise's mission of hiring excess rural labor is out of step with complementary measures. The state currently lacks comprehensive, integrated, and specific policies and measures for dealing with decline in the capacity to find work for the excess labor force, a major problem that affects social stability. In addition, the structural arrangements, functions and means of departments in charge of township enterprises also do not meet the needs of township enterprise development. In many regions there are problems such as that the existing organizations are not sound, are understaffed, have no source of revenue and lack managerial and control means. The departments in charge of county- and village-level township enterprise, in particular, are short of personnel and have heavy work loads and even have difficulty in raising funds for daily office expenses and wages. This is a problem in improving township enterprise management that urgently needs solution.

Concerning important work for the future, the Eighth Five-Year Plan period is an extremely important period for China's modernization and a critical period for the healthy growth of township enterprise as well. We should continue to implement conscientiously the spirit of the Fourth, Fifth, and Sixth Plenums of the 13th Party Central Committee, comprehensively carry out the principles of "support actively, plan rationally, guide correctly, and improve management" and "improve, rectify, transform, and improve," arrange to implement the "Regulations on Rural Collectively Owned Enterprises in the People's Republic of China," unify ideological and stability policy, put relationships in order, carry out in-depth enterprise management activity, continue to

place the work emphasis on improving structures, deepening reform, invigorating management, strengthening management, relying on science and technology, improving quality, upgrading product quality and upgrading benefits, strive to improve overall quality of the enterprise, actively guide and promote the sustained, stable, coordinated and sound growth of township enterprise.

The Ministry of Agriculture's views on next year's work of departments in charge of township enterprises are:

1. Implement thoroughly the principles, policies, laws and regulations concerning township enterprise. The existing policies should be thoroughly carried out and perfected. Based on the objective situation in township enterprise development, we should formulate new policies, improve laws, regulations, and rules, and create an excellent policy environment so that enterprise development will move along the track of management through laws and regulations.
2. Increase investment, improve accumulation mechanisms, and constantly strengthen enterprise development reserves. We should come up with ways to increase investment in capital and materiel. We should strive for the support of relevant departments to make important township enterprise goods part of the plan. We should improve enterprise self-accumulation mechanisms, rural projects should draw from it to some degree, it should do what it can. The relationship between accumulation and distribution should be handled properly, after-tax profits should be ensured and the majority used for production. Those that have the proper conditions should gradually establish a technological transformation fund and emphasize using it for industries and products supported by state industrial policy.
3. Further readjust the industrial, trade, product, and enterprise structures. Based on the overall plan, industrial policy, market demand, and benefit principles of the national economy and social development, we should emphasize readjustment of the product structure and enterprise organizational structure and promote the sensible distribution of productive forces and the optimal integration of production factors.
4. Start up and improve in an in-depth and well-grounded fashion enterprise management year activity, combining this year's "enterprise management year" activity and the implementation of the "regulations" to make enterprise management more standardized and scientific. Simultaneously, we should combine it with the actual situation in various places. We should make this activity well-grounded and effective with a focus on improving benefits and emphasis on improving quality control or other management.
5. Vigorously promote the pace of science and technology. We should continue to stress the training work needed by all types of talent at all levels and all forms. Based on relevant state policies, we should create preferential conditions to attract talent, import talent,

import technology, and import equipment. We should accelerate technological transformation and equipment upgrading in enterprises, use applicable advanced new technology and new industrial processes and arrange for production according to standards.

6. We should continue deepening enterprise reform and constantly improve enterprise vigor. We should perfect the management contracting responsibility system, continue to explore experience in enterprise lease management and enterprise annexation and actively develop enterprise groups. We should conscientiously summarize successful reform experience and constantly improve township enterprise's operating mechanisms.

7. We should accelerate the pace of development toward the outside and make an outward-oriented economy an important element in development. We should vigorously develop "three kinds of partially or wholly foreign-owned enterprises" and "three forms of import processing and compensatory trade" enterprises. We should continue to engage in capital construction for trading in industrial and agricultural export commodities. We should adapt to the international market, increase the added value of the commodities, increase the competitive ability of export commodities, and strive to expand the foreign exchange earned by imports.

8. We should improve and perfect leadership of township enterprise work, persevere in stressing the building of two civilizations, continue to strive for the respect and support of government and party committees at all levels for township enterprises and the support of departments concerned. We should improve public opinion, theory and work to create an excellent external environment for township enterprise development; we should fully exploit the functions granted to the departments in charge of township enterprises by the "Regulations," improve agencies and arrange for building, adopt a variety of forms and measures, conscientiously enhance township enterprise ideological and political work, mobilize the initiative and creativity of the cadres and employees to spur on the healthy growth of township enterprises toward socialism.

### Forum Meets on Legal Status of Private Enterprises

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[Article by staff reporters Tao Guofeng (7118 0948 1496) and Ma Liqun (7456 4539 5028): "The Legal Status of Private Enterprises and the Phenomenon of 'Phony Collectives'"]

[Text] *Editor's note: At the "National Forum on the Legal Status of Domestic Private Enterprises," which was held on 5 December in Beijing, concerned officials, scholars, and experts carried out conscientious discussions of such issues as the legal status of private enterprises and the phenomenon of "phony collectives." These are subjects that have attracted attention in the economic life and*

*judicial practice of present China. Participating in the forum were the Supreme People's Court, the State Administration for Industry and Commerce, the State Administration of Taxation, the State Restructuring of the Economic System Commission, the State Council Development Center, the Chinese Academy of Social Sciences, and the Chinese University of Political Science and Law. This article is a summary of speeches at the forum compiled by our staff reporters. It is printed here for the reference of the broad masses of readers.*

### How Much Do We Know About Private Enterprises?

According to the "Provisional Rules and Regulations for Private Enterprises" promulgated by the State Council on 1 July 1988, the definition of private enterprise is "a profit-oriented economic organization whose enterprise property is privately owned and which has more than eight employees." Now, how big exactly is the rank of such enterprises?

The statistics of the departments concerned show that as of the end of June 1990, China had 89,000 registered private enterprises with 1,552,000 workers, of which, 1,346,000 are employees. Most private enterprises, 55,592 units or 62.7 percent, are scattered around rural areas in China. Judged from the national situation as a whole, the development of private enterprises is very uneven. Generally, there are more in coastal provinces than in inland provinces, more in the eastern area than in the western area. Guangdong, Zhejiang, Liaoning, Hebei, and Shandong alone have 47,910 private enterprises, accounting for 54.1 percent of the nation's total. Guangdong Province alone has 18,862 units, accounting for 21.3 percent of the nation's total. Industry and commerce, which make up a large part of the eight major trades, have 78,279 private enterprises, accounting for 88.3 percent of the total. There are generally three investment methods of private enterprises: sole proprietorship, partnership, and limited liability companies.

This is the full picture of Chinese private enterprises which are an active supplement to the socialist public economy.

### Private Enterprises Are in a Stable Development Stage

As an important supplement to the socialist public economy, China's private economy has gone through a tortuous and repetitive course. It is now in a relatively stable development stage.

Relevant provisions in the "Constitution of the People's Republic of China" and the "Provisional Rules and Regulations for Private Enterprises" have clearly defined the legal status of private economy and private enterprises and enabled workers of private enterprises to find their legal status under the socialist economic system. They feel that they now can stand up straight and openly engage in the life of the national economy. At the 1989 National Day reception, General Secretary Jiang Zemin's relevant speech further reassured private enterprises. It was understood that as of today seven or eight

provinces of China have issued documents in accordance with the guidelines of relevant policies to allow further development of private enterprises in light of the concrete situations of different industries. At the same time, they have also emphasized the need to protect the legitimate rights and interests of private enterprises.

However, the development of private enterprises is bound to be restricted by their own conditions. Workers of private enterprises are mostly of low quality and poor cohesiveness. Except for a few export-oriented enterprises in coastal provinces, most private enterprises engage in mostly service, repair, and processing industries. They often suffer from insufficient funds, simple and crude equipment, and weak technological forces. It is impossible for them to develop rapidly. Private enterprises cannot possibly compete with state-run and collective enterprises on this point.

Although the "Provisional Rules and Regulations for Private Enterprises" which restrict the behavior of private enterprises have been enforced, the imperfection of many supplementary rules and regulations has caused the phenomenon of "phony collectives" under which private enterprises engage in private business activities under the banner of collectives. This has created confusion regarding the nature of enterprise ownership and caused disputes one after another. Moreover, many localities still have a prejudice against private enterprises, the phenomenon of indiscriminate apportioning of expenses, levies and fines is serious, the tax system is imperfect, and taxes and levies are not all rational, causing private enterprises to have doubts and develop slowly.

This is why we say that relatively stable development is the trend of development of private enterprises in the current stage.

#### **Why Do They Scramble for Fake Signboards?**

Private enterprises registering in the name of collective enterprises is a strange phenomenon prevailing in China's economic life. People refer to it as the phenomenon of the "phony collective." Private enterprises that are "phony collectives" exist in many areas. The more developed the economy, the greater the number of "phony collectives." Many private enterprises are now looking for units to lean on and get a signboard of collective enterprise for them to hang up. For this, they are even willing to pay a handsome amount of maintenance fees.

Why do legitimate private enterprises want to use the phony signboard of collective enterprises?

Investigation shows that there are three main reasons:

First of all, there is political consideration. China is a socialist country, and the overwhelming majority of people feel that they belong to the system of public ownership. Managers of private enterprises are no exceptions. Because ownership is closely related to people's

political status, private enterprise managers may be very wealthy economically but they do not necessarily have equally prominent political and social status. Because of this, they are willing to pay management fees to find someone to lean on and get their enterprise a phony collective signboard. This can add a bargaining chip to their own and their children's political and social status. Some private enterprise owners cried their hearts out when they heard that the CPC will not recruit members among private enterprises. They think they have been placed in the "other register for disreputable people" and swear that they will never let their children follow in their footsteps. This is an excellent footnote for the psychological factor of those people who have caused the phenomenon of "phony collectives."

There are also economic factors.

Due to the factor of perception, compared to collective enterprises, private enterprises are not easily trusted by consumers and other units which have economic contacts with them. Some private enterprises borrow the signboard of "collectives" in order to make it easier to do business and sell their products.

Compared to private enterprises, collective enterprises enjoy preferential treatment in regard to tax exemption and reduction, credit, raw materials, energy supply, and hiring. Because of this, they have advantages in competition. Many private enterprises join the rank of "phony collectives" so that they can enjoy these benefits.

Some people in society, especially those who have the authority to administer private enterprises, wilfully abuse private enterprises through indiscriminate apportioning of expenses, levies, and fines. Unable to cope with this, private enterprises are forced to find a backing and get a signboard of collective enterprises so that they can hide behind a local government organ or competent authority. The fact that unhealthy practices are rampant and that private enterprises' legitimate rights and interests are not protected constitutes another main cause of the phenomenon of "phony collective."

#### **Who Benefits and Who Suffers Under the Phony Signboard?**

Generally speaking, the phenomenon of "phony collectives" is a behavior of private enterprises to seek advantages and avoid disadvantages. This is not unusual to private enterprises whose goal is to pursue economic interests. However, since the phenomenon of "phony collective" has encroached upon the state interests, we have to be concerned about it.

Except for a certain amount of management fees they pay to the competent authorities, enterprises of "phony collectives" are completely the same as private enterprises in terms of business management and income distribution. The existence of a large number of such enterprises may make it look as if the collective economy has expanded. But this is not so, because the number of real collective enterprises has not increased. However,

the preferential policy of tax and credit enjoyed by these enterprises has hurt the state financially. In some localities, phony collectives account for 80 percent of all registered collective enterprises. Cleaning them up will undoubtedly bring a considerable increase to the state tax revenue.

The phenomenon of the "phony collective" has confused the nature of ownership of many enterprises. This is detrimental to the stability of economic order. Especially when economic disputes relating to the nature of ownership arise, it is very difficult to find a quick solution and is liable to cause great damage to social productive forces and affect the state tax income, economic growth, and social stability.

The Hongwei Electronics Plant of Shantou City of Guangdong is a selected department-level plant which has over 20 million yuan of annual output value and consistently high economic returns. In the first half of 1989, Li Zongyao [2621 1350 5069], the legal representative of the plant, fought with his brother Li Zongming [2621 1350 2494] over the management right of the plant. Li Zongyao filed a suit with the court of Jinsha District of Shantou where the main real estate of the plant is located, and the Jinsha district court accepted the case on 3 August and ruled on 8, 11, and 14 of August in the same year, allowing Li Zongyao to temporarily take charge of the plant's property registration book so as to resume the plant's production as soon as possible. When the court was exercising its judicial authority according to law, relevant administrative departments, based on the ground that the plant is a collective enterprise, forced Li Zongyao to give up his title as the legal representative of the plant and declared the founding of a leading body of the plant headed by Li Zongming, thus resulting in a battle over the nature of enterprise ownership, which has not been resolved as of today. The crucial reason why this dispute is so hard to resolve is that it is not easy to clarify the nature of enterprise ownership. One view maintains that the Hongwei Electronics Plant is a private enterprise which uses the name of collective enterprise. Another view maintains that the Hongwei Electronics Plant is a collective enterprise. Investigations show that there are over 15,000 such enterprises in Shantou City. This case has made a great impact on these enterprises.

Practice shows that the phenomenon of "phony enterprise" has provided some benefits to private enterprise owners and the units that back them up, but it is undoubtedly harmful to the state.

#### **It Is Very Difficult To Clean Up "Phony Collectives"**

The phenomenon of "phony collective" should not be allowed to continue to exist, but cleaning up "phony collectives" is a formidable and urgent task which must be carried out with caution.

The clean-up of "phony collectives" involves complex situations and has a lot to do with the policy. Relevant

laws and regulations are imperfect. There is a considerable amount of work involved. It is not hard to imagine how difficult this work is going to be.

The clean-up of "phony collectives" involves a large number of enterprises and may have some temporary impacts on the development of the private economy in some localities. But in the long run, it is conducive to the development of the national economy.

It may be impossible to carry out a large-scale, across-the-board clean-up within a short period of time, but the importance of this work should be recognized. Perfecting relevant rules and regulations, promptly and properly handling economic disputes relating to the phenomenon of "phony collective," and strengthening the control of "phony collective" enterprises are all important tasks.

The prevalence of the phenomenon of private enterprises registering in the name of collective enterprise has something to do with the competent authorities which hold such ties to these enterprises. There is profit for the competent authorities on this issue. If the enterprises do well, the competent authorities can collect a handsome amount of "management fees" and leaders would also look good. If the enterprises go under, the competent authorities can simply deny it without having to take any responsibility or risk. Some competent authorities are very "enthusiastic" about private enterprises seeking to establish such ties. They provide all sorts of convenience and even put pressures on industrial and commercial administrative and management departments to help change the nature of ownership of these enterprises. These competent authorities constitute major obstacles in the work of cleaning up "phony collectives" and determining the nature of enterprise in economic disputes. In order to stop industrial and commercial administrative and management departments from changing the nature of ownership of "phony collective" enterprises, some competent authorities went so far as to ignore the sanctity of the law, obstruct courts in exercising due judicial authority, and make it impossible to try cases according to law. Because of this, removing obstacles to ensure that everything is done strictly according to law is another task of the work of cleaning up "phony collectives."

#### **Creating a Fair Competitive Environment**

Cleaning up "phony collectives" is important work. Preventing "phony collectives" from emerging constantly is even more important.

The phenomenon of the "phony collective" is the consequence of some private enterprises seeking advantages and avoiding disadvantages. To prevent the occurrence of such consequence, private enterprises must be allowed to engage in fair competition with collective enterprises under equal conditions so that there is no advantage to seek, nor disadvantage to avoid. Water does not flow if it is level, and the phenomenon of the "phony collective" naturally will not occur. Since we allow private enterprises to exist, we should give them equal competitive

conditions and form an economic environment for fair competition. An enterprise's contribution to the state is reflected by the amount of its tax payment and profit delivery to the state, not by the nature of its ownership. As far as enterprises are concerned, whoever has good economic returns deserves encouragement, and whoever makes more money needs to pay more taxes. This is the way to really benefit the state.

Of course, fair competition between private and collective enterprises cannot be achieved overnight. Some problems such as people's thinking and perceptions cannot be changed by administrative, legal, and economic means. But clarifying private enterprises' legal status to make them understand their obligations and rights is also conducive to the disappearing of the phenomenon of "phony collectives" and the sound development of private enterprises. The restrictions and restraints of private enterprises should also be enforced according to law.

Under the current business registration system of China, ownership has four categories, namely state-owned, collective, private, and industrial and commercial individual households. The economic factors of all categories, except for the collective, are fairly simple. The collective economy, is however, very complicated. Not only do they have different sources of funds and means of distribution, they often include other economic factors such as the private factor. Classifying them all as collective not only makes it difficult to manage but also encourages the appearance of "phony collectives." For instance, enterprises which have both collective and private economic factors do exist in reality, but they cannot be distinguished during the business registration. So they are simply categorized as collective. To solve this problem, we need to formulate relevant rules and regulations.

#### **What To Do When You Have Mine and I Have Yours**

The phenomenon of "phony collective" has also created a host of economic disputes. One of the focal points of these disputes is how to distribute the property accumulated by the enterprises during the course of operations. This is also a common, hard-to-resolve problem.

The background of this problem is complicated, and the circumstance of every case is also different. When some "phony collective" enterprises opened up shop and in the course of their operations, collective or competent authorities provided land and public utilities or gave them convenience in regard to the use of water and electricity. Some "phony collective" enterprises do not have enough funds, so they ask a collective unit or use the name of a collective unit to apply for bank loans and use them to buy equipment, raw materials, or expand reproduction. Some "phony collective" enterprises enjoy various preferential treatments of a collective enterprise which they are not entitled to. Things like these have put an elusive veil on the nature of enterprise.

With regard to the income of "phony collective" enterprises, some competent authorities clearly told the managers that in the first two to three years they may pay only a small amount of management fees, saving the money for use in the expansion of reproduction. They clearly meant to do so even when they signed management responsibility contracts.

Consequently, when we try to determine the nature of the enterprises, we could run into many troubles. If we consider such enterprises as private enterprises, the competent authorities would not agree, for they think that the collectives have given support, not much, but indispensable, to the development of such enterprises.

How do we solve the problem when you have mine and I have yours?

Some experts maintain that the issue of clarifying the nature of enterprise ownership should be considered in the angle of facilitating economic development and production. A better way to do this is to convert the property of enterprise into shares. After deciding how many shares should be given for individual input and for the support and assistance of collectives and competent authorities, if an enterprise is considered as a collective enterprise, the competent authorities should buy up individual shares. If an enterprise is considered as a private enterprise, individuals should buy up the shares of collectives or competent authorities. Of course, they can also continue to operate as they are and distribute income according to the number of shares. Shares should be divided of course according to legal and economic means to avoid the reoccurrence of confusions.

Enterprises which asked collectives or used the name of collectives to get loans to develop production should distribute their income fairly according to the principle of equal rights for equal obligations.

When handling such disputes, we must not practice uniformity indiscriminately.

#### **Several Questions Deserving Attention in Judicial Practice**

Economic disputes caused by the phenomenon of "phony collective" have brought about many new tasks for the work of judicial practice.

Many managers of "phony collective" enterprises are enthusiastic about displaying the signboard of collective, but their operations and income distribution are exactly the same as private enterprises. Once a dispute over the nature of ownership occurs, these private enterprise owners may turn from a millionaire into a jailbird. Generally speaking, these cases cannot avoid having great impact on economic development. Some law enforcement personnel, experts, and scholars think that this phenomenon calls for attention and the need to conscientiously study and carefully handle such cases in

judicial practice and to draw a clear line between criminal and noncriminal activities. If an enterprise is confirmed as a private enterprise, its legal representative has the right to handle property and he should not be subjected to the investigation of criminal responsibility for handling property. If an enterprise has both economic factors, its civil responsibilities should be investigated. Of course, a private enterprise should take care of its own debts and other civil responsibilities. Overdue tax payment should also be collected according to law. When determining the nature of disputing enterprises, industrial and commercial administrative and management departments should adopt a prudent attitude and avoid rash decisions that will cause unnecessary problems for judicial practice.

As long as such lawsuits follow the relevant rules and regulations of civil and administrative law procedures, people's courts should accept them promptly, according to law, instead of refusing or postponing them to avoid worsening contradictions and damaging social productive forces.

## CONSTRUCTION

### Beijing Reports Housing Reform in Outer Suburbs

SK0802054591 *Beijing BEIJING RIBAO in Chinese*  
30 Dec 90 p 1

[Text] The housing reform plan of Miyun County officially was put into effect on 29 December. By then, all 10 districts and counties in the outer suburbs had put their housing reform plans into effect.

The housing reform of the 10 districts and counties in the outer suburbs was carried out in selected units first and gradually extended to large areas. Tongxian, Shunyi, Daxing, and Yanqing Counties put their plans into effect in the first half of this year, and the remaining six districts and counties began implementing their plans one after another in the latter half of this year. Major measures for the housing reform of these districts and counties are to sell houses at preferential prices, to raise funds to build houses, to organize housing cooperatives, to impose new rents on new houses, to raise the rents of the houses currently on lease, to collect deposits for leasing of houses, and to collect additional rents for excessive houses. In general, the housing reform proceeded smoothly in the districts and counties, and yielded notable results.

The 10 districts and counties in the outer suburbs put nearly 10 million square meters of houses under the housing reform plans. They sold nearly 100,000 square meters of new and old houses to collect 18.8 million yuan of funds; collected 13.5 million yuan to build nearly 100,000 square meters of houses in a cooperative manner; collected 3.7 million yuan in deposits; and raised the rents to increase their funds by 29.4 million yuan. These districts and counties used the collected funds to build new houses. In Tongxian, Shunyi, and

Daxing Counties alone, construction of 300,000 square meters of houses started or resumed this year, thus greatly accelerating the pace in solving the housing problems of the people.

Shunyi County sold all its newly built houses to collect 8.5 million yuan of funds, which they used again to build new houses. Construction of 80,000 square meters of houses has started, and the housing problems of the 5,000 households in the county seat will be solved in five years. Tongxian County has begun its project to renovate dangerous and shabby houses. The housing cooperative of Daxing County has recruited 740 members and collected 11.5 million yuan of funds. A total of 480 members moved to new houses. In Yanqing County, 100 percent of the households living in the public houses under the direct administration of the county pay the new rents.

As was learned, the housing reform of these districts and counties will emphasize sales of houses and be enhanced continuously next year. The focus of our municipality's housing reform will be shifted to urban and suburban areas. Various measures will be adopted to experiment with the reform in more selected units, and use the work of the selected units to lead the work in large areas so as to promote the reform steadily.

### Guangzhou Announces Housing Upgrade Plan

HK1202020991 *Beijing CHINA DAILY in English*  
12 Feb 91 p 3

[By staff reporter Li Zhuoyan]

[Text] Guangzhou—Guangzhou, capital of Guangdong Province, plans to provide better housing for its residents in the coming decade.

Lei Yu, the city's vice-mayor, promised at a recent news conference that his government would make efforts to raise the average per capita living space of urban residents from the present 7.6 square metres of construction area to at least 14 square metres within 10 years.

He said in the next five years the focus would be placed on improving the housing situation of families currently without adequate living space.

Although the 11,642 urban households which had an average living space of less than 2 square metres per capita five years ago have enjoyed larger living spaces due to the city government's efforts over the past four years, another 15,000 urban households whose living space is limited to less than 2 square metres per family member emerged in the same period of time.

Lei said the city government is determined to change this situation.

In order to gather the necessary funds for the project, the city has decided to establish a city-wide housing fund system which stipulates that every one having a public



job will have to deposit 5 percent of his salary in this fund which would be used to build new housing.

The deposit would later be returned to the contributor to be used towards buying a new apartment.

At the same time, Lei commented, the government would continue its housing reform policy which persuades residents to buy the public houses they live in so that they will not have to pay rent amounting to some 0.27 yuan per square metre per month, as compared with only 0.1 yuan per month per square metre at present.

Last year, 216 public units were approved by the city government to sell their apartments to the residents who previously rented them, Lei said, and this year more units would participate in the reform.

Lei said that as one of the country's four cities experimenting with using foreign capital to develop real estate, along with Shanghai, Haikou and Shenzhen, Guangzhou would take overseas investment as one of its major sources of funds for building new residential apartments.

To reduce the cost of building new houses, the government advocated real estate developers to build only the rough frames of the houses, leaving the inner fittings for the residents to complete.

"This will not only make greater use of the limited funds, but also cater to the different requirements of the buyers of the houses," Lei added.

### **Shandong Releases Figures on Capital Construction**

SK0702082891 Jinan DAZHONG RIBAO in Chinese  
11 Dec 90 p 1

[Summary] During the Seventh Five-Year Plan period, Shandong Province has scored tremendous achievements in capital construction thanks to earnestly implementing the guidelines of improving the economic environment, rectifying economic order, and deepening the reform drive. Over the past five years, the province has invested 41.8 billion yuan in capital construction and fulfilled the tasks of building more than 6,500 large, medium-sized, and small projects. The newly increased fixed assets have been worth more than 30 billion yuan. Both the number of newly built projects and the value of newly increased fixed assets have shown a twofold increase over the Sixth Five-Year Plan period. Of the newly increased major production capabilities, that of crude oil production has reached 21.87 million tons, that of raw coal has reached 11.7 million tons, that of dressed coal has reached 3 million tons, that of installed capacity has reached 3.47 million kilowatts, that of harbors' loading and unloading has reached 20.9 million tons, that of building main railways has reached more than 570 km, that of daily water supply has reached more than 500,000 tons, and that of propane gas has reached 120,000 cubic meters. According to initial statistics, the province has invested more than 18 billion yuan, a 10.3

billion increase over the Sixth Five-Year Plan period, in building the projects of energy resources, transportation, and post and telecommunications during the period.

## **FOREIGN TRADE, INVESTMENT**

### **Annual Meeting Addresses Foreign Trade Issues**

91CE0205A Beijing GUOJI SHANGBAO in Chinese  
1 Dec 90 p 6

[Article by staff reporter Wang Bing (3769 1456): "A Variety of Profound Thoughts on Development and Reform of China's Foreign Trade—Summary of the 1990 Annual Meeting of the China International Trade Society and Its Discussion of the Article 'Development and Reform of China's Foreign Trade'"]

[Text] This meeting was held in Wuhan from 12 to 15 November. The meeting emphasized the constructive nature and feasibility of theoretical discussion, closely integrated the discussion with the reality of economic and trade work, and concentrated on exploring the question of China's strategy for development of export trade in its Eighth Five-Year Plan period and deepgoing perfection of its foreign trade system.

### **A. On the Strategy for Developing Export Trade in China's Eighth Five-Year Plan Period**

The Eighth Five-Year Plan period is the critical period for adjusting and vigorously developing China's economy. In the 10 years since the beginning of reform and the policy of opening up to the outside world, foreign trade has become one of the main driving forces in the development of China's national economy. The strategy for development of foreign trade is a departmental strategy under the guidance of the strategy for the overall development of the national economy, and whether plans for it are made correctly is a matter of extreme importance for the future development of foreign trade.

1. Make the guiding ideology clear. Comrades at the meeting concluded that, in studying and formulating the strategy for development of export trade in China's Eighth Five-Year Plan period, one must not be overanxious for quick results. Two prerequisites must be taken seriously: one is to face and adapt to the constantly changing and developing situation in international economic relations and trade; the other is to proceed from China's specific national condition.

Everybody thought that in the present era, economic activities are daily becoming more internationalized and more of a group form; that the economic connections and associations among countries and regions are increasing day by day; and that production, trade, and banking permeate each other and are dependent on each other. At the same time it should be seen that state trade protectionism will not markedly change, that regional trade protectionism will grow, that competition between



countries still exists, and that competition between regional groups will intensify. The situation developing in the world economy is having a greater and greater effect on China's economy, and, in formulating the strategy for development of China's foreign trade, we should pay great attention to analyzing and researching the global economy. At the same time, from a look at the domestic economic situation, we see that the improvement and rectification of the past more than two years have obtained results of a phased nature, that the overheating of the economy has been checked, and that the disparity between total demand and total supply is mitigating. All of these things have created the advantageous conditions necessary for the future growth of the national economy and foreign trade. Of course, we still must soberly see that the tasks in China's current economic work are quite arduous, and that problems that have been piling up for many years on a deeper level still await solution. Only by getting an overall grip on the current situation in the development of the international economy and China's economy can the strategy for development of foreign trade in the Eighth Five-Year Plan have clear and feasible goals.

Some comrades pointed out that, in formulating the strategy for development of foreign trade in the Eighth Five-Year Plan we must have a macro grasp of several relationships. Our strategy must be an active one, a strategy of massing and moving forward and not a strategy of holding back and delaying, an integral strategy and not a decentralized strategy, and a systematic strategy and not a partial strategy. All of the provinces and municipalities are now studying and formulating their strategies for development, but the greater part of these strategies are patterns for a specific place and lack overall superiority. Once the topic of strategy is discussed, great attention is often paid only to production, markets, and sales. Actually, the content of a strategy should be broader and richer. A systematic strategy demands the formation of complete sets in all fields; for example, in information, transportation, and packaging, all of which should occupy important positions in the strategy.

2. There is the question of the rate and scale of foreign trade development in the Eighth Five-Year Plan. Some comrades think that a strategy is the guide for overall work in a given period of time. A strategy should be scientific, serious, and relatively stable. A strategy should have an appeal for the people and give them sense of pursuing goals. Therefore, the goals of development certainly must be practical and feasible. Comrades at the meeting suggested that we, proceeding from the requirements and possibilities in the development of China's national economy, strictly arrange and appropriately control the rate and scale of foreign trade development. Generally speaking, the rate of growth in foreign trade can be a little higher than that in the national economy, and the rate of growth in export can be a little higher than that in import, striving for a favorable balance of trade in order to insure that foreign debts are repaid.

3. The strategy's goals must be clear and definite. Comrades at the meeting concluded that in the Eighth Five-Year Plan period the development of China's foreign trade, with the improvement of economic results as the goal of the main attack, should be to spur the transformation of China's foreign trade from the extensive model to the intensive model. Over the next several years the goal of improving economic results in foreign trade export should bring about a definite improvement in the results in both the macro- and micro- aspects. In the macro aspect we must make foreign trade play a promotional role in the benign development of the national economy; in the micro- aspect we must constantly lower the outlays and costs of enterprises engaged in export.

To effect an overall improvement in economic results in foreign trade, we must achieve the two modernizations. First of all, we must optimize the import-export commodity mix. During the Seventh Five-Year Plan period, the change in China's export commodity mix from giving priority to primary commodities to giving priority to finished goods was completed. In the Eighth Five-Year Plan period, we must make a second transformation of the export mix, namely, increasing the proportion of finished products in export, and promoting the transformation, in the export commodity mix, from giving priority to coarse-processed products to giving priority to precision-processed products. Some delegates to the meeting said that we should give priority to the development for export of electromechanical products and high add-on value products in order to develop in a stable fashion precision and textile products, and to reduce gradually the proportion in export of agricultural and sideline products and natural resource-type products. Taking into account the fact that China is a great agricultural country, much attention should be paid to earning foreign exchange through agriculture, and in absolute terms we still must vigorously develop the export of agricultural and sideline products. Next, we must optimize the structure of organizations engaged in export, enhance macro management, appropriately centralize and unify foreign trade, and closely integrate the improvement of economic results in export with the vital interests of the export organization and of the great number of their staff and workers.

Delegates to the meetings stressed that, in order to realize the strategy for development of foreign trade in the Eighth Five-Year Plan, assurances must be given that the reform of the foreign trade system will be perfected in a deepgoing manner. The reform of the foreign trade system is the means; the development of foreign trade is the end. The reform of the foreign trade system should open the way for the development of foreign trade.

#### **B. On the Deepgoing Perfection of the Reform of the Foreign Trade System**

For 10 years there has been a constant improvement in the system and plan for China's foreign trade, there has been a constant growth in import and export trade, and

both this improvement and this growth have made their due contribution to the development of the national economy. Looking ahead into the nineties, we see that to have a sustained, stable, and coordinated development of trade there must be a further deepgoing perfection of the reform of the foreign trade system. Mainly centering on the perfection of the contractual management responsibility system and on the deepgoing reform of the foreign trade system in the near-term and mid-term, comrades at the meeting freely expressed their views, as follows:

1. Perfect the contractual management responsibility system in foreign trade. In the three years of its practice, the advantages and disadvantages of this system have basically become clear. It was generally held that it was imperative to put this system into practice, that its direction has been correct, and that it has been very successful. Under the present circumstances and conditions, we should, based on the need to develop foreign trade, make the necessary adjustments in specific ways and measures, and strive to come up with complete sets of policies, in order to make the contractual system play a greater role.

Delegates at the meeting put forward tentative ideas and suggestions on the question of how to perfect the contractual management responsibility system in foreign trade: (1) The major problem of the effect on foreign trade of foreign trade contracts must be addressed and appropriately solved. (2) Make timely and necessary readjustments of inappropriate policies and measures, create an environment for competition on the basis of equality, and, under the conditions of the planned commodity economy, better arouse the enthusiasm of enterprises for earning foreign exchange through export. (3) Strengthen macro management, regulation and control; improve the environment for contracts; and, while suitably enhancing the necessary centralization and unification, put emphasis on stimulating enterprise management so that the enterprises gradually and truly achieve a situation in which they act on their own initiative in management, are responsible for their own profits and losses, exercise self-restraint, and develop on their own. (4) Formulate practical, feasible, and reasonable contract indices. (5) Swiftly adjust the exchange rate; improve the method of sharing foreign exchange; and stimulate the auxiliary reforms of price, tax revenue and interest rate, and exchange rate. On this question a delegate proposed the setting up of a highly centralized floating exchange rate system, so that the exchange rate plays a better role in promoting import and export, causing them to be a good economic background for foreign trade enterprises to take responsibility for their own profits and losses. (6) Make contracts standard and legal, and strengthen and perfect the enterprises' operating mechanisms. (7) Pay attention to the auxiliary reform of basic-level foreign trade, and perfect the way of handling basic-level foreign

trade contracts. (8) On the foundation of thoroughly rectifying foreign trade corporations, achieve the formation into groups and the internationalization of foreign trade enterprises, stage by stage and step by step set up large externally oriented enterprise groups and transnational corporations with distinctive Chinese features.

2. There is the question of the near- and mid-term reform of the foreign trade system. Comrades at the meeting concluded that the key to designing a new foreign trade system is to coordinate it with the measures for reforming the entire economic system, and it would not be realistic for the reform of the foreign trade system to go one step in advance of this coordination. The goals of reform cannot be put in place in one step, and at present we should emphasize the development and formulation of near- and mid-term goals for reform of the system. Some comrades pointed out that, in deepening the reform, on the macro level we must emphasize the good resolution of the relationships between the plan and the market, between the overall situation and the partial situation, and between the center and the locality, and set up and make sound a macro regulation and control system; and on the micro level make an effort to set up new exciting and restraining mechanisms. The goal of deepening reform is, under the state's unified management, to create an environment for fair competition, and in the end make the government's management standard, make the enterprise's actions rational, and make import and export trade orderly.

From different angles and different sides, everybody made suggestions for the reform of the foreign trade system. They concluded that the near- and mid-term goals of this reform should be the gradual establishment of a foreign trade system in which the planned economy and market regulation are integrated, centralized management and decentralized operations are integrated, work is appropriately divided in line with commodity classification, rights and responsibilities are unified, and there are united and unified approaches in foreign relations.

In this reform the following basic principles must be followed: (1) Uphold the public ownership of foreign trade, make property rights clear, integrate industry and trade, and display the role of foreign trade as the main channel for corporations that specialize in trade and in industry and trade. (2) Correctly handle the relationship between plan and market, and appropriately demarcate the scope of commodity classification and management. (3) Correctly handle the relationship between the interests of the center and the locality, the interior and the port, and the export enterprise and the export production enterprise. (4) There must be general goals that are beneficial to the improvement of economic results in foreign trade and that optimize the import-export commodity mix. (5) Resolve the disparity between economic benefits and social benefits.

**Peugeot Expands Production in Guangzhou**

HK0402075791 Beijing CHINA DAILY in English  
4 Feb 91 p 2

[By staff reporter Chang Weimin]

[Text] The Guangzhou Peugeot Automobile Company, a joint venture with Automobiles Peugeot of France, will soon expand the scale of its operations.

Xu Bingjin, an official with China's State Planning Commission in charge of the country's automotive industry, told China Daily that the joint venture will buy all the equipment and technology for manufacturing Peugeot 505 sedans as the Peugeot company decided to stop production of them in France.

An agreement on transfer of the equipment and technology was recently signed in France, China Daily has learned.

It includes mould-making equipment, engine and gear box production lines and assembly systems.

Xu said the transfer, which is expected to be completed by the end of next year, is expected to be on favourable terms to the Chinese side.

That means the Guangzhou Peugeot will be the only maker of Peugeot 505 model in the world by then, Xu said.

Capacity of the equipment is some 10,000 cars a year. The cars to be made at the Guangzhou Peugeot are to be targeted at both domestic and overseas clients.

According to the agreement, the joint venture will also increase production of 504 Pickups, a model of one-ton payload. The French company will offer its world sales network to the joint venture.

Guangzhou Peugeot was started in 1985 with the total investment for the initial stage at \$200 million, 66 percent coming from China and the rest from other sources including 22 percent from Automobiles Peugeot, a company of the Peugeot S.A. group.

Major products at the Guangzhou Peugeot are Peugeot 505 and Peugeot 504 sedans. Already on the way is an expansion project which will push annual production capacity to 30,000 cars by the end of 1992.

Output last year totalled at least 8,000 sedans. Total production since 1985 stood at some 24,000 vehicles, including light-duty trucks.

The products cover six types in two series. That means the Guangzhou Peugeot has been the first Sino-foreign automotive joint venture capable of making complete sets of vehicle types.

Localization rates reached about 28 percent on Peugeot 504 model and 18 percent on Peugeot 505 by the end of last year.

**State Council Approves Petrochemical Joint Venture**

HK0102052491 Beijing CHINA DAILY in English  
1 Feb 91 p 2

[By staff reporter Xu Yuanchao]

[Text] The State Council has approved a proposal for the building of a petrochemical joint venture by five Chinese firms and Shell, the Dutch and British operated oil giant.

A senior official from the China National Offshore Oil Corporation (CNOOC) told a press conference yesterday in Beijing that the project, the country's largest petrochemical joint venture, will include an oil refinery with an annual capacity of 5 million tons and an ethylene plant which will turn out 450,000 tons of chemical products.

The proposed joint venture will be built in Huizhou in South China's Guangdong Province.

The petrochemical project will cost a total of \$2.5 billion. Half of the investment will be supplied by Shell, the multinational oil group, and the remaining half will come from Chinese firms.

The Chinese partners are CNOOC, the China Petrochemical Corporation (Sinopec), the China National Petroleum Corporation (CNPC), the China Merchants Steamship Company and the Guangdong provincial government.

The official said CNOOC will have a 20 per cent interest in the project, Sinopec 10 per cent, CNPC 10 per cent, China Merchant 5 per cent and the Guangdong provincial government 5 per cent.

The official said Chinese partners in the venture will raise the funds, including bank loans, from financial markets at home and abroad.

"The two parties will start working on the feasibility study which will take at least a year," he said.

Construction of the petrochemical complex will need four to five years, but the official did not say when the construction will begin.

Shell will use its patented "hydroconversion technology" to process heavy oil pumped from the offshore oilfield near the mouth of the Pearl River in the South China Sea.

The patented technology can convert about 80 per cent of heavy oil into oil and chemical products.

"I don't think that Shell will sell its technology to other countries, but it can provide it for use only in its joint ventures," the official said.

By 1995, CNOOC plans to increase its annual output to 8 million tons, of which 3.5 million tons will be heavy oil.

He said supplies of heavy oil will come from the Bozhong 63-1 and Jinzhou 9-3 oilfields in the Bohai Sea and Lihua 11-1 oilfield in the South China Sea.

When asked why the two parties selected Huizhou as the site of the project, the official said Huizhou has geographic advantages and a satisfactory environment for foreign investment. Huizhou is located close to Hong Kong and has a good highway and port facilities. In addition, the official said that an oil port has been planned for the area.

The official said the local economies in Guangdong have rapidly developed in recent years and the demand for oil and chemical products has been increasing in the coastal province.

### **First of 284 Trains Exported to Botswana**

HK0102014691 Beijing CHINA DAILY in English  
1 Feb 91 p 2

[By staff reporter Qu Yingpu]

[Text] China has started exporting freight trains to Africa for the first time, Wu Yue, an official of the China National Machinery Import and Export Corporation (CMC), announced in Beijing yesterday.

The first 110 of the total 284 trains to be exported were ready for shipment to Botswana at the Tianjin port on Wednesday, Wu said.

The 284 trains, produced in Hunan and Heilongjiang provinces, are worth a total of \$12 million. They include 159 enclosed trains designed to transport powdered chemicals, 101 open trains to carry salt and 24 designed to transport coal, Wu said.

This is China's largest such export deal ever, according to Wu.

The contract for the deal was signed last May after CMC and a firm from the Chinese railroad industry won the call for international bids put forward by Botswana.

Set up in 1950, CMC is China's largest State-run foreign trading company dealing in the import and export of mechanical and electrical products including aircraft, ships, trains, automobiles, production lines and industrial equipment.

The corporation signed new machinery and equipment export contracts worth \$300 million last year, while it imported roughly \$1.5 billion worth of such products.

Designated by the Ministry of Foreign Economic Relations and Trade to pilot further management reforms, CMC started exports independent of the State plans in 1988. Last year, such exports hit almost \$300 million, Wu said.

Starting from this year, CMC has undertaken a new development strategy—including massive investments and emphasizing manufacturing and technological

development—aimed at gradually turning the corporation into an international conglomerate.

CHINA DAILY learned that CMC was setting up sales and information networks worldwide while launching new domestic manufacturing projects to ensure a sufficient supply of quality machinery for the international market.

CMC has already set up representative offices, companies, joint ventures and three regional companies engaged in international trade in Europe, America and Asia.

### **New Sino-Indonesian Shipping Line Opens**

OW0502142491 Beijing XINHUA in English  
1414 GMT 5 Feb 91

[Text] Shanghai, February 5 (XINHUA)—A new, regular Sino-Indonesian shipping line opened as the "Gaoyang" cargo ship with dwt 13,720 tons left here today for Indonesia.

This is the first regular steamship service between the two countries since China and Indonesia resumed diplomatic relations in 1990.

The monthly steamship service starts from Shanghai of China to Jakarta and Asurabaja of Indonesia via Hong Kong and Singapore.

Experts noted that the opening of the new shipping line will promote the economic and trade relations between China and other Asian countries such as Indonesia, Singapore and India.

### **Shandong Revises Policies on Foreign Investment**

HK0802101091 Beijing CEI Database in English  
8 Feb 91

[Text] Jinan (CEI)—The Shandong Provincial government has recently revised its preferential policies on foreign investment.

The main points of the revised regulation include:

Export-oriented enterprises and enterprises with advanced technology may be exempted from various subsidies the state granted to the employees except labor insurance fund, welfare expenses and housing subsidies for the employees on the Chinese side. Of these, the housing subsidies will be retained by the enterprises and used to solve housing problems of their employees.

The land-use fees of these enterprises should be between five and 20 yuan per square meter every year in areas where development fees and land-use fees have been comprehensively charged, and a maximum land-use fee of three yuan per square meter every year in areas where the development fees have been charged once for all and where the development was undertaken by the enterprises themselves.

Enterprises with advanced technology may be exempted from land-use fees for five years if approved by local authorities concerned. Enterprises whose export value accounted for over 60 percent of their total output value in the same year may also be exempted from land-use fees for five years. The duration of exemption may be prolonged.

Charges for water, electricity, gas, heat, transportation and post and telecommunication facilities on these enterprises will be collected according to the same standards applied to local state-run enterprises. Materials needed in production and available in the province should be supplied to these enterprises with priority and at reasonable prices while those unavailable locally may be imported by the enterprises themselves. Export-oriented enterprises whose export value in the same year may, after the tax exemption and reduction term expires, enjoy tax reduction and will pay corporate income tax at half the existing income rate, those located in the economic and technological development zones will pay only 10 percent of the corporate income tax. These export-oriented enterprises are also exempted from local income tax.

Technologically-advanced enterprises will, after the tax exemption reduction term expires, enjoy corporate income tax reduction by half for another three years. These enterprises will also be exempted from local income tax when they begin to make profits.

Foreign investors of export-oriented and technologically-advanced enterprises may be exempted from income tax when they remit home their profits.

Foreign investors reinvest their profits in launching new or expanding existing export-oriented or technologically-advanced enterprises with an operating term of over five years, their payment of income tax and local income tax corresponding to the reinvestments shall be refunded with the approval of taxation administration. Foreign investors should return the refunds if they withdraw their reinvestments within five years. Export products of foreign-funded enterprises are exempted from consolidated industrial and commercial tax except crude oil, refined oil and other products prescribed by the state.

Foreign investors who purchase the province's products for export with their profits should be supplied with priority, and these products will be exempted from consolidated industrial and commercial tax.

Foreign-funded enterprises and particularly those engaged in energy, communications and port construction may adopt the comprehensive compensation practice to balance their foreign exchange. With approval, foreign investors can purchase the province's surplus export products or products outside of export plans with their earning for export. These products are exempted from consolidated industrial and commercial tax.

Foreign exchange of foreign-invested enterprises, various foreign exchange retainings and foreign currencies

permitted to trade by the state administration of foreign exchange control may be bought or sold at the foreign exchange regulating centers.

### Joint Ventures Urge Enhanced Role for Trade Unions

HK0502014891 Beijing CHINA DAILY in English  
5 Feb 91 p 3

[By staff reporter Xiao Wang]

[Text] The growing number of joint venture firms in China has initiated a demand for a legislative definition of the role of trade unions in such firms.

After eight cities and provinces announced their local regulations to establish the identity of trade unions in joint firms with a partial foreign capital base, the national law on this subject was raised for discussion.

The All-China Federation of Trade Union [ACFTU] is preparing for a legislative drive to figure out the criterion of union representation in management.

It was learned from ACFTU that a national conference will be held this year to work out the guidelines for trade union work in Sino-foreign enterprises.

The keynote of the conference will centre on the best way joint venture trade union can resolve disputes involving Chinese employees and foreign managers.

To date, China has witnessed more than 20,000 joint-venture and foreign enterprises going into operation with the number of Chinese employees rising to over two million.

To date, a total of 832 foreign-funded enterprises have been approved in Beijing and more than 330 are in operation, 61 of them having trade unions. They received copies of the municipal trade union regulations which went into effect on January 1.

Compared with their colleagues in State-owned enterprises, those working with foreign enterprises have a more difficult job: to represent Chinese employees who take labour security and protection for granted while not challenging the western style hire-fire management enough to dampen the foreign investors' enthusiasm of running business in China.

"We are lubricators," said Zhang Haili, who'd been trade union president at the Beijing Shangri-la Hotel for four years.

Some trade union workers interviewed share Zhang's view that the regulation backs up efforts to maintain the delicate balance between the interests of foreign investors, legal rights and interests of Chinese employees and the State's foreign-investment policy.

### Shanghai Increases Foreign Trade Volume

OW1202200991 Beijing XINHUA in English  
1439 GMT 12 Feb 91

[Text] Shanghai, February 12 (XINHUA)—Shanghai, China's largest industrial city, reported a total export volume of 470 million U.S. dollars during January this year, an increase of 30.6 percent over the same month last year.

The city's exports of heavy industrial products were valued at over 150 million U.S. dollars, representing a 66 percent increase over last year's period.

The export value of agricultural products and agricultural by-products amounted to 70 million U.S. dollars, up 54 percent over the same month in 1990.

As part of effort to fulfill this year's export targets, the Shanghai Foreign Trade Department has made great efforts to expand local business and involve foreign traders.

### Wuhan Steel Firm Seeks Foreign Loans for Expansion

HK1102022591 Beijing CHINA DAILY in English  
11 Feb 91 p 2

[By staff reporter Ren Kan]

[Text] One of China's steel giants is girding itself for a major drive to introduce overseas funding and technology for its rapid take-off in the next five years.

The Wuhan Iron and Steel Corporation in Hubei Province, the country's second largest steel manufacturer, is hoping to get \$390 million in foreign loans for its expansion project, according to Liu Qi, president of the corporation, who said the figure would account for 43 percent of the estimated total investment.

The expansion project, Liu said, would increase the corporation's annual output of steel to 6 million tons by 1995 from last year's 4.6 million tons.

Liu said the corporation was currently in negotiations with two Spanish firms and a Japanese steel producer.

The corporation was hoping to win Spanish governmental loans through one of the Spanish firms, with the money to be used mainly for the construction of the corporation's third steel-casting plant, a key part of the expansion.

The Spanish firm would also supply equipment and designs if the deal was clinched, Liu said, adding that contracts were expected to be signed as early as the first half of this year.

The steel-casting plant, which would include two converters with a production capacity of 250 tons each and a continuous-casting machine, would have an annual production capacity of 2.5 million tons of steel, he said.

The negotiations with the Japanese steel producer, he said, centred on co-operation in the design and purchase of equipment for the expansion of a silicon steel plant.

Silicon steel, which is used mainly in the power industry and home electrical appliances, has been in short supply for many years.

The project would increase the annual production capacity of the plant from 190,000 tons to 260,000 tons.

The expansion project would ensure the corporation's 1.7-metre rolling mill—imported in 1974 from Japan and West Germany at a cost of \$600 million—could run at full capacity, he said.

The imported equipment allowed the corporation to produce rolled steel, imports of which had cost the country \$10 billion during the past decade.

But the mill could not produce at full capacity because of a shortage of billets, which had to be bought from other steel companies including the Baoshan Iron and Steel Corporation in Shanghai, he said.

On completion of the expansion projects, Liu said, his corporation would set up another coking oven and continuous casting machine.

Before the end of the century, the corporation's annual steel output would hit 7 million tons, accounting for 8.7 percent of the country's total, he said.

### Container Manufacturing Joint Venture With ROK

HK1002071691 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 10 Feb 91 p 3

[“Special to BUSINESS WEEKLY”]

[Text] China's largest Sino-foreign container manufacturing joint venture is expected to go into operation in Changzhou, Hebei Province, early next year.

Construction of the venture, which is co-invested by the Changzhou Chemical Machinery Plant and two South Korean companies, started at the end of December.

The Chinese partner holds a 75 percent share of the total \$20.65 million investment while the rest comes from the South Korean investors.

The venture will be able to manufacture, 24,000 standard containers a year, all of which will be sold on the international market.

The products are expected to earn the venture \$64.8 million in hard currency each year, with \$11.5 million in net profits.

Construction of the project is scheduled for completion at the end of this year and it is due to go into operation at the start of next year.

## ECONOMIC ZONES

### Shenzhen Attracts Loans From Foreign Governments

*OW1102174791 Beijing XINHUA in English  
1543 GMT 11 Feb 91*

[Text] Shenzhen, February 11 (XINHUA)—Shenzhen city, located in south China's Guangdong Province, has attracted loans from foreign governments and international financial institutions valued at 195 million U.S. dollars since 1989.

A city official said that the loans have been used for capital construction and high-tech projects.

In the past the city mainly paid attention to direct investments of foreign businessmen and commercial loans. However, most foreign businessmen prefer to invest in projects related to the processing industry, rather than in capital construction or high-tech projects. In addition, commercial loans not only bear high interest rates, but are also high risk.

In an effort to attract more foreign investment in capital construction and high-tech projects, the city government initiated measures in 1989 aimed at attracting more loans from foreign governments or international financial organizations.

By the end of last year, the city had used governmental loans provided by eight countries, including Japan, Britain, Canada and Germany, for 16 capital construction or high-tech projects.

### 75 New Foreign-Funded Enterprises in Shenzhen

*OW1102175091 Beijing XINHUA in English  
1237 GMT 11 Feb 91*

[Text] Shenzhen, February 11 (XINHUA)—A total of 75 foreign-funded enterprises were registered in Shenzhen city, in south China's Guangdong Province, in January this year—a 135 percent increase over the corresponding period last year.

Among the newly registered enterprises, 49 are Sino-foreign joint ventures, two are Sino-foreign co-operative enterprises and 24 are solely foreign-funded businesses, according to statistics provided by the city's bureau of industry and commerce today.

These enterprises involve 496 million yuan-worth of foreign investment, with a combined registered capital of 321 million yuan.

Local analysts attribute the increase in foreign investment in the city to the political and social stability of the country and the continuity of the open policy.

In addition, regulations and rules governing foreign investment have been improved, the energy shortage been alleviated and construction of a bonded industrial zone is being speeded up.

### Foreign Exchange Commercial Bills Issued in Shenzhen

*OW0202030791 Beijing XINHUA in English  
0244 GMT 2 Feb 91*

[Text] Beijing, February 2 (XINHUA)—China issued its first foreign exchange commercial bills in Shenzhen City, south China's Guangdong Province, on January 18.

The "ECONOMIC DAILY" reported today that the commercial bills, which were valued at over eight million U.S. dollars, were sold out on the same day.

The bills were issued by the Shenzhen joint company of the China Nonferrous Metals Corporation, with the approval of the State Administration of Exchange Control.

The term of the bills is nine months.

### Shenzhen Helps Import Advanced Technology to Interior

*OW1102142391 Beijing XINHUA in English  
1202 GMT 11 Feb 91*

[Text] Beijing, February 11 (XINHUA)—The Shenzhen Special Economic Zone, which borders Hong Kong, is playing an important role in transferring and introducing advanced technologies and equipment from abroad to other areas of China.

In the past ten years Shenzhen, in Guangdong Province, has helped other areas of the country to import advanced equipment and technologies amounting to more than one billion U.S. dollars-worth, according to today's "PEOPLE'S DAILY".

The zone has transferred 250 items of internationally advanced technologies for industrial production, and more than 110 production lines to other parts of the country.

According to statistics, over 4,060 commodity fairs, business discussions and training classes have been held in Shenzhen by other municipalities, autonomous regions and provinces, with more than 360,000 participants. A total of 2.5 billion yuan-worth of business deals and over 500 million U.S. dollars-worth of exports have resulted from these commercial activities.

The zone has also handed over to the Guangdong provincial and central governments revenue totalling 1.24 billion yuan (about 240 million U.S. dollars) and employed 800,000 people from other areas of the country.

## LABOR

### Township Enterprises Absorb Rural Surplus Labor

91CE0195A Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 42, 22  
Oct 90 pp 23-24

[Article by Mo Wei-kuang (5459 0251 0342), lecturer in the Hong Kong Academy of Engineering's Department of Commerce; and Chen Chi-yuan (7115 0679 0337), researcher at the Chinese Academy of Social Sciences Agricultural Development Institute: "Transferring China's Rural Surplus Labor To Township Enterprise Development"]

[Text] In China, progressively achieving the transfer of rural surplus labor to develop township enterprise has a particular urgency. Transferring rural surplus labor to nonagricultural departments and urban areas is a common pattern in the socioeconomic development of nations throughout the world, and China is no exception to this. However, our national characteristics have determined that such transfer in China is especially difficult and even more pressing. First, China's rural population is about 80 percent of the nation's total population; this is not only much higher than that of developed countries, it is higher than in the great majority of the developing nations. Second, the contradiction of a large population on a small amount of cultivated land is especially prominent, with only about 1.4 mu of cultivated land per capita, far lower than in the majority of countries and the world average. Third, in China, not only is there a surplus of rural labor, there is also a surplus of urban labor, so we cannot handle this as they do in similar countries, which have only to transfer their rural surplus to urban areas, and thereby achieve their national economic modernization goals. Fourth, China's rural labor force is of low technical and cultural quality, with many being illiterate or semi-literate. This creates another barrier to the transfer of rural surplus labor. However, even though we are faced with this difficulty, rural surplus population is not something which can be readily retained in rural areas for a long period of time; otherwise, there will be no way of accomplishing agricultural modernization, which will have a negative effect on the modernization of the overall domestic economy. Starting out from these several facts, the writers will probe for ways to transfer rural surplus labor which conform to China's national conditions.

The existence of a large rural surplus labor force in China was originally an objective fact. But in the second half of 1988, after China proposed the program of improvement and rectification, some comments questioned the "rural surplus labor theory," believing that "the current situation of China's agriculture demonstrates that there is not too much labor force put into agriculture, but rather too little." They even blamed the 1984-1988 "fluctuation,"

the "shrinking" of agriculture on the transfer of rural surplus labor. The writers will make a thorough analysis of this view.

### Does China's Rural Labor Force Have a Surplus?

The surplus of rural labor in China is comparable to other natural resources for agricultural production, mainly a shortage of land. At the beginning of 1949, there was approximately 8 mu of cultivated land per farm worker; as the rural population and labor force increased, and the land under cultivation decreased, that figure has now come down to about 4 mu. In the past 40 years, there has been a definite increase in the level of agricultural mechanization, with a continual increase in the use of fertilizers and agricultural chemicals. The use of S&T in agriculture has been quite successful, and this could further decrease the cultivated land area by half. This one point alone makes it obvious that a surplus of rural labor really exists. Even if intensive cultivation is found to be a factor, the overall conclusion that China's surplus of rural labor is great, rather than small, is something that can be demonstrated.

There is as present no unanimity on the numerical size of China's surplus rural labor force. The China State Statistical Bureau, based on the results of surveys and through the use of the per capita cultivated land burden method, believes that the size of China's surplus rural labor force is about 60 to 80 million people. Others have based their findings on differing methods of representative sampling data, using such means as calculating average output value, calculating workdays, etc., believes that the size of the surplus rural labor force is about 80 to 150 million. If we synthesize the estimates of these various experts, we can conclude that about one-third of China's total agricultural work force is surplus, with an absolute number of about 100 million people.

Over the past decade, the following two points have stood out about the problem of transferring the surplus rural labor force, and have been the focus of people's attention: the first is agricultural reform, and principally the implementation of the joint contractual responsibility system, which has massively aroused the peasants' enthusiasm for production. One person now does the same quantity of work that several people did previously, greatly increasing the production rate of rural labor and causing an even greater surplus of rural labor. Second, under the system of people's communes which merges government administration with commune management, much of the surplus rural labor force have flooded to work like a "swarm of bees," working in a "great swelling." Meanwhile, erecting strict barriers between what is urban and what is rural, and identifying households on a hereditary basis, has also firmly bound the surplus rural labor force to the rural areas. Although the household register management system has so far been basically unaltered, still, in the broad environment of opening to the outside, peasants who can provide their own rations are permitted to concentrate in towns to live and work. This will open a small door in the "bastion of



iron" separating city from country, bring about an increase in the transfer of agricultural labor, and speed up the flow of population between them.

#### How To Appraise the Transfer of Surplus Rural Labor?

Some argue that the transfer of surplus rural labor will sacrifice agricultural development, and will have a series of negative affects on agriculture and even the overall national economy. They hold that the damage these transfers will do to the rural economy and even to the development of the national economy will be more widespread and profound than the positive features of such transfer.

The writers believe that the fluctuations in Chinese agriculture since 1985 were caused not by transfer of the surplus rural labor force to the outside, but rather were created primarily by erroneous rural economic policies, including pricing and investment policies. The peasants' dissatisfaction with engaging in agriculture, especially their reluctance to grow grain, is due chiefly to the fact that the benefits are less in agriculture than they are in other industries; this is especially the case for grain farmers, who earn the least. Therefore, the fluctuations in agricultural production are by no means due to the advocacy and support of the "surplus rural labor theory," engendering and aggravating a loathing of farming among many peasants, and strengthening their desire to engage in business, to move to the cities and make money. At the same time, the transfer of surplus rural labor is not just something which came up recently: after 1978, along with implementation of the policy of reform and opening to the outside, transfer of the surplus rural labor force had already begun to speed up and increase. From 1981 to 1984, the nonagricultural labor force in rural areas increased 70.8 percent, a 19.5 percent annual increase; simultaneously, agriculture achieved unprecedented bumper harvests. From 1984 to 1988, the total nonagricultural labor force increased 66 percent, an annual increase of 13.6 percent, slower than the rate of increase for the previous four years. But there had been fluctuations in agriculture prior to that, so that there cannot be a general conclusion that agricultural fluctuations are directly related to transfer of the surplus rural labor force to the outside. The saying that, due to the excessive surplus of rural labor, in some areas "the crack troops and the strong generals fled the country, while the old, weak, sick and disabled did the farming," while it is true that it did have more influence on agricultural development, the above conclusion still cannot be applied everywhere.

Next, in the past decade, the transfer of surplus rural labor to the outside promoted the development of small town agriculture. Regardless of whether the benefits are societal or economic, both are certainly helpful. Transferring out the surplus rural labor force which has been stopped up in the rural areas for a long time, will not only raise the production rate of farm labor, but because formerly idle farm workers will find jobs in other industries, the per capita output value will in general be higher

in agriculture, and thereby further increase the production rate of labor throughout society. During the past decade, about 50 million agricultural workers found new employment in township enterprises alone. If this group of workers found jobs arranged for them by the state, and calculating from a standard of 10,000 yuan minimum investment per worker to arrange a job, then 500 billion yuan would be needed. That is something the nation simply does not have the financial capacity to do.

As stated earlier, the flow of surplus rural labor throughout the nation, done somewhat blindly and spontaneously, and at times excessively blindly and turbulently, is accompanied by considerable disturbance to the socioeconomic order. However, in the main it should receive some approval. Farm workers who in the past could not even flee from famine-stricken areas, are today on the move throughout the nation, and by their own sweat and intelligence are earning more than they did in their native villages. They are for the most part moving into the economically developed southeastern coastal areas, especially the Chuchiang Delta, the Ch'angchiang Delta, and the newly emerging Special Economic Zones, as well as in the areas awaiting development, such as Hainan, the Yili river valley, the Sanchiang plain, etc. In addition, there are the provinces from which these farm workers originate, chiefly Szech'uan, Honan, Hunan, Hupei, Shantung, Anhui, Chiangsu, Chechiang and Chianghsi. They are not afraid of work which is dirty, hard or tiring, nor do they fear noxious, injurious or dangerous work in manufacturing. Moreover, in the process of working they raise their own technical and managerial quality, learning skills which they can put to use in commodity economic activities after returning to their native villages, and absorbing a great deal of information. Agricultural workers going outside will not only be of major benefit to the economic development of their own areas, but after their return will generally be leaders in their hometowns' developing commodity economies, and going from poverty to prosperity.

#### Wage Increases During 7th 5-Year Plan Analyzed

91CE0272A Wuhan JINGJI XINXI BAO in Chinese  
13 Dec 90 p 1

[Article by Tong Zhong (4547 0022) in "Report From the State Statistics Bureau" column: "Workers' Wages Have Increased, Living Standard Is Higher—16.4 Percent Annual Increase in Wages and 14.7 Percent Increase in National Income Under the 'Seventh Five-Year Plan']

[Text] Workers' wages saw further increase under the Seventh Five-Year Plan. The living standard continued to rise. But some problems remain in the wage distribution and in the wage structure which must be addressed during the Eighth Five-Year Plan.

The State Statistics Bureau estimates that the country's 1990 total wage bill will come to nearly 296 billion yuan, 1.14 time more than that of 1985, increasing at an

average rate of 16.4 percent a year. Meanwhile, it is estimated that the per capita worker's money wage may top 2,130 yuan in 1990, 85.5 percent higher than that of 1985, increasing at an average rate of 13.2 percent a year. Looking at the wage distribution, however, wages in the urban collectively owned units have increased at the slowest pace; units in the ownership by the whole people system came in second, and wages in Sino-foreign joint ventures and units under other ownership systems have increased the fastest. Regionally, wages in the coastal areas have increased the fastest under the Seventh Five-Year Plan. In 1989, the average worker's wage in the 12 coastal areas was 2,082 yuan, 7.6 percent higher than the national average, increasing at an average rate of 14.7 percent a year for the first four years under the Seventh Five-Year Plan, which exceeded the national average rate of increase by 0.7 percentage points. If we look at the wage structure, bonuses and subsidies have increased the fastest, but the increase in the other components has been relatively slow. Comparing 1990 with 1985, hourly wage's share in the total wage package has dropped from 66.7 percent to 55 percent while the share of bonuses and subsidies has increased from 27.6 percent to 40.5 percent. Some enterprise managers are of the opinion that although the increase in bonuses and subsidies and other items may make the workers more enthusiastic, if they make up too large a share of their income, it will create serious income disparities and will have a negative psychological effect on the workers.

Statistical analysis showed that because of the distribution of wages according to work under the Seventh Five-Year Plan, the increase in wages and productivity have kept pace with each other. In 1986, national income increased 12.2 percent and the total wage bill increased 20 percent. In 1990, national income grew 6.7 percent and the total wage bill grew 13 percent. Under the Seventh Five-Year Plan, national income grew at an average rate of 14.7 percent a year and the total wage bill increased at an average rate of 16.4 percent a year. Comparing the increase in workers' average real wage and the increase in society's labor productivity during the Seventh Five-Year Plan period, labor productivity increased at an average rate of 4.4 a year and workers' real wages increased at an average rate of 2.2 percent a year. Under the Seventh Five-Year Plan, wages accounted for 16.7 percent of the GNP, only 0.2 percentage points higher than during the Sixth Five-Year Plan period. This means the increase in workers' wages and the increase in production more or less kept up with each other.

But there are some problems in the wage distribution which need to be solved. 1) The increase in wages has been uneven; there have been sharp rises and sharp falls in real wages. The 1988 total wage bill was 23.1 percent higher than the previous year's; it is estimated that of 1990 will be 13 percent higher [than that of 1989]. There is a difference of 10 percentage points between the two periods. Discounting prices as a factor, the workers' average real wage in 1986 was 8.2 percent higher than in

the previous year, but their real wage in 1989 was 4.2 percent lower than the previous year's and 5.7 percent lower than that of 1987; there is a difference of nearly 14 percentage points between the two periods. In 1990, however, amid slowed production increase and fairly stable product prices, wages have increased significantly. It is projected that this year's average real wage will increase by about 8 percent. 2) The inversed pay relationship between mental and physical works is still a serious problem. Under the Seventh Five-Year Plan, the state gave public health, education, science and research, and institutional workers pay adjustments and stipulated the payment of subsidies to teachers who were in charge of classes, teachers who had seniority, and high-ranking intellectuals, and so on. As a result, workers in these sectors received significant pay raises, but their wages are still lower than those in the industrial sector where there is a concentration of workers who perform physical work. 3) There is still a heavy emphasis on egalitarianism, and wage has become less of an incentive to the workers. Under the Seventh Five-Year Plan, wages were adjusted at the beginning of each year or were raised uniformly by a fixed percentage. There was little consideration for the workers' real contribution. Departments in charge of wages tried to avoid controversies and often took a "quick march" together year after year. Bonuses were also given out more or less on an egalitarian basis, and everybody had a share of the price subsidies. Overall, there is an increased sense of egalitarianism in wage distribution. In many units, "doing a good job and doing a bad job are the same," and "there is not much difference between working and not working." Wage is playing a lesser role as an incentive. 4) There is serious wage disparity. A handful of localities and units pay their workers excessive wages, and many try to get into those units by hook or by crook. Some trades and businesses take advantage of their abundant resources and the preferential policies and pay higher wages because they are more profitable. A handful of enterprise contractors and managers receive very high pay, which make the other workers unhappy. 5) There are signs that the relationship between economic efficiency and wages is beginning to sour. An important part of the reform in the last 15 years has been to link wage increases to economic efficiency. For several years, it was very effective. But because reform has been less than thorough and the contractors "only take responsibility for the profits but not the losses," some enterprises let wages soar when they were profitable, but when profit declined, they continued to pay those wages, and even when they are losing money, they continue to pay those wages. In the first nine months of this year, the GVIO [Gross Value of Industrial Output] of the budgeted people-owned industries fell 0.5 percent compared to the same period last year; realized profit tax fell 21.5 percent, and enterprise loss increased 106.8 percent; meanwhile, the total wage bill increased 12.5 percent. 6) Nonwage income is increasing too fast, and the gap between unit and personal income is too wide. According to a study conducted by the State Statistics Bureau's urban survey team, in 1986, nonwage income made up 24.6 percent of

the total income, and by 1989, it came to 32.7 percent, increasing an average of 2 percent a year. There is a big difference in the amount of non-wage income earned by units and individuals, and the huge income the self-employed workers earn in the cities and towns is the main reason for the unfair social allocation and excess consumption demand.

Wage distribution is a matter of immediate concern to all and is also critical to the economic development. Many things affect wage distribution, and it is very difficult to formulate a perfect and scientific distribution system within a short period of time. At present, we should try to solve two problems: One, we must smooth out the relationship between policy management and the system of control by planned quotas. The relevant departments should study and draw up a set of realistic and workable policies and measures to deal with the many unreasonable phenomena in the existing wage distribution. With respect to the planned wage management, we should strive to manage without being rigid and enliven without causing chaos. With respect to the specific tasks, the department in charge of planning should control tightly and scientifically the wages the grassroots units pay to prevent bloated consumption demand, but, as much as possible, the actual method of payment should be left to the grassroots units to decide so as to give expression to the principle of distribution according to work. Two, we must smooth out the relationship between wage income and other income. Looking at the situations in different localities, nonwage income tend to be diverse and hidden. If this kind of income should increase too rapidly, it will undermine the basic socialist principle of distribution according to work. Thus, proper steps should be taken to gradually reduce nonwage income and try to get this income out into the open. Meanwhile, we should establish and uphold a normal wage increase system to guarantee that the workers' wages will increase steadily as production increases and give play to the role of wage distribution as an important channel.

## POPULATION

### Analysis of Hebei Census Results

91CE0222A Shijiazhuang HEBEI RIBAO in Chinese  
8 Dec 90 p 2

[Article by Lai Hongxi (6531 3163 3305) and Li Tiezhu (2621 6993 2691): "Study Census Report, Use Census Data; Brief Analysis of Hebei's Population Situation"]

[Text] The census is an important survey of our national situation and strength. The "Report of the Hebei Province Statistical Bureau on the Primary Data in the 1990 Census" provided us with the latest and most reliable population data for the province. These data will be of great significance for Hebei's government, party and society at all levels and for analytical research and scientific determination of population growth plans. This article is a brief analysis of the population situation

in the province, based on the figures in the census report as a source for readers in general.

1. Total population. The report gives the total population of Hebei at zero hours on 1 July 1990 as 61,082,439. This data is determined by survey methods and obtained by adopting the direct survey method in line with the principle of place of residence. Since it was place of residence, the total population included over 710,000 persons from other counties and provinces. On the other hand, although they had registered residences, over 510,000 persons who moved to other counties and provinces for more than one year were not computed in the total population. Thus, migration in and out cancel each other out in part, so that the actual new inward migrating population is 200,000. Thus we know that at the time of the census, Hebei had a population of 60,870,000 registered permanent residents.

From observations of the total population numbers we note: (1) population growth rate is high, increasing to sixth place from seventh place nationally at the time of the third census in 1982; (2) population density is growing, increasing from 282 persons per square kilometer at the time of the 1982 census to 325 persons, which has caused some decrease in land occupied per capita; (3) inward migrating population is greater than outward migrating population; (4) the meaning of household residence declarations has been diluted.

2. Nationalities. The make-up of the province's minority nationalities and the growth of minority nationalities population in this census are rapid. There are fifty-two minority nationalities in addition to the Han Chinese, an increase of 12 nationalities over the 1982 census and from looking at the figures, minority nationalities population grew to more than 2.4 million. Nine nationalities have more than 1,000, which is an increase of four over the five reported in 1982. Reviewing the eight years since 1982, the primary causes of the makeup of minority nationalities and the growth in their populations are: (1) implementing nationalities policy: Hebei's minority nationalities autonomous counties increased to six from two at the time of the 1982 census; (2) inward migration of minority nationalities population who settled in Hebei; (3) natural growth of minority nationalities.

3. Educational levels. In the eight years since 1982, there have been changes in the number of people with some degree of education per 100,000 of the population, accurately reflecting the readjustment of Hebei's educational organizations and the development of education. The population with college (i.e., post-secondary) education doubled and redoubled, which is closely related to the year by year growth in students enrolling in higher schools and the flourishing growth of various types of adult education. The decline in the number of people with upper-middle-school education is due to such actions as the planned elimination of some upper-middle-school classes below the county level to improve the quality of education and the concomitant decline in

the number of students enrolling, and some upper-middle-school students changing their academic careers by enrolling in adult university education after they began working. In terms of illiterates and semi-literates, the number of people 15 years of age or older who are illiterate or semi-literate has declined substantially and reflects Hebei's actual situation very objectively. The proportion of illiterates and semi-literates in the total population declined 7.03 percentage points compared to the third census in 1982, lower than the national average. This is an obvious achievement of Hebei improving the universality of primary education and emphasizing education to eliminate adult illiteracy. Of course, the proportion of illiterates also declined due to the natural decrease in older adult illiterate population.

4. Birth, death and natural growth rates. The census cites the birth rate as 19.66 per thousand, death rate as 5.76 per thousand, and natural growth rate as 13.90 per thousand. This reflects the situation in the previous 12 months. According to annual statistics, the birth rate of Hebei's population is generally above 20 per thousand, so what does the changing situation in the population growth rate in this census prove? The results of the census prove that Hebei's promulgation of "Regulations on Family Planning" in 1989 have been conscientiously carried out. Hebei produced 120,000 fewer babies in the first half of 1990 than in the first half of 1989; the birth rate declined from 10.56 per thousand in the first half of 1989 to 8.46 per thousand. Thus we can say that family planning work has been a success and created excellent conditions for putting things in order and reorganization in the population environment and slowing down the third birth peak. Because the population growth rate in the sixties was too high, it greatly increased the scale of the current group of married and child-bearing women so that Hebei is experiencing the shock of the third birth peak period in history. Family planning is a fundamental policy of China and for this reason we still cannot take it lightly but should continue to stress family planning work.

5. Urban and township population. The urban population cited in the report makes up 19.0 per thousand of the province's total population. This figure includes two types of urban population: (1) district population, referring to the population of all districts under the jurisdiction of the province; (2) nondistrict urban population, referring to population of neighborhood offices established by county level cities. Township population refers to the population of townships under county jurisdiction and residence committees among the township population under the jurisdiction of county level cities. According to these statistical specifications, in terms of Hebei's actual urban and township population organizational system, the population statistics for cities under provincial jurisdiction are broader and include the population of the suburban districts, but the population statistics for county level cities and townships are clearly more strict. Otherwise, a great number of the rural population statistics would be part of the city and township population and this would greatly expand the proportion of city and township population in

the total population to reach more than 50 percent. This would not accurately reflect the level of urbanization of Hebei's population.

From the above analysis can briefly explain the changes in population growth in the last eight years in Hebei. Thus, accurately applying the census materials will play a positive promotion role in Hebei's economic construction and social development.

#### Report on Population Growth in Yunnan

91CE0222B Kunming YUNNAN RIBAO in Chinese  
4 Dec 90 p 2

[Article by Zhang Jianhua (1728 1696 5478), Yunnan Provincial Census Office: "On Natural Growth of Yunnan's Population"]

[Text] The driving force behind the population growth of a country or region is due to the combined role of the population's natural growth and its mechanical growth. In most provinces and regions of China, the migration across national and provincial borders is extremely limited. In Yunnan, where the population is very sealed off and annual net migration is only 3-5 percent of the annual growth figure, population growth is primarily due to natural population growth.

The data of the fourth census in 1990 show that in the year from 1 July 1989 to 30 June 1990 there were 865,300 births in Yunnan, a birth rate of 23.59 per thousand, and in the same period, there were 282,900 deaths, a death rate of 7.71 per thousand, so that the province grew naturally by 582,400, a natural growth rate of 15.88 per thousand. The province's birth, death and natural growth rates were, respectively, 2.61, 1.43 and 1.18 points per thousand higher than the national averages. Compared with the figures from the third census in 1982, the province's birth, death and natural growth rates declined by 1.77, 0.89, and 0.88 points per thousand, respectively. The changes in these data indicate that Yunnan has been successful in controlling population growth through carrying out the basic national policy of family planning. With the constant growth of the economy and the great strides in health care province-wide, the death rate has declined and the average life expectancy has improved steadily. On the other hand, however, Yunnan's birth, death and natural growth rates are still high nationally and among the other provinces, which means that although Yunnan is controlling population size, there is still a big gap with the rest of the nation in terms of lowering the death rate and increasing longevity.

We can describe the locus of natural changes in Yunnan's population in the period between the third census of 1982 and the fourth census of 1990 as follows: the birth rate clearly declined and, generally speaking, the death rate declined, but there are some small variations in individual years and the changes in the natural growth rate tend to be basically identical with the changes in the birth rate.

Looking for causes from the locus of natural changes in population, although the magnitude of the decline in the province's birth rate is not large, the actual situation is that in this period, the declines in the birth rate were secured after it withstood the great shock of the third birth peak (i.e., 1962-1976, when the population born during the second birth peak entered marriageable age and redoubled). The price paid for lowering the birth rate in this period was far higher than in the period of stable population growth. During this period, although relaxing family planning work to some extent had an unfavorable impact on lowering the birth rate, in terms of most regions of the province, successes at controlling population growth were clear, it played a major role in lowering the birth rate. The decline in the infant mortality rate played the primary role in lowering the death rate. Corresponding to the causes of the decline in the birth rate, the decline in the province's death rate was achieved with a constant increase in the numbers of the elderly population over 60 and a constant rise in their proportion.

In terms of the relationship between population growth and economic growth, a certain economic level corresponds to a certain level of medical care development and hence corresponds to a certain death rate. But under China's unique social system, there have been changes in this convention. In terms of the general population laws, at China's current level of economic development, the death rate should be 8-9 per thousand and Yunnan's should be about 10 per thousand. The high quality death rate data indicate that the decline of the death rate in China and Yunnan is ahead of the level of economic development. This is an achievement of medical care, the high investment in public health, and disease prevention. From the cities to the rural areas, from the interior to the border areas, and even the remote and mountainous border areas in China, although transportation is difficult the medical care network blankets the country, costs for medical care are low. The state uses subsidies and contracts for health care and the treatment of employees and the masses, so that the masses of a country that is economically backward, relatively speaking, as China, can enjoy good medical conditions. The level of health is constantly improving so that the death rate has declined. This could only be possible under China's superior socialist system.

Looking at the regional differences in birth, death and natural growth rates, of all 17 regions, prefecture and cities, the birth rate is lowest in Kunming, at 14.52 per thousand and highest in the Dehong Thai-Jingbo Autonomous Region at 29.05 per thousand, the latter being double the former. The lowest death rate is in Kunming, at 5.95 per thousand, and the highest in Diqing Tibetan Autonomous Region, at 10.33 per thousand, a difference of 74 percent. The lowest natural growth rate is also in Kunming, at 8.57 per thousand, and the highest is in Dehong Thai-Jingbo Autonomous Region, at 21.70 per thousand, a 1.5-fold gap.

The differences in Yunnan's birth, death and natural growth rates may reflect, on the one hand, the differences in degree of economic development in different regions. On the other hand, it may be due to the large number of nationalities in Yunnan and the large differences in territory, communications and climate. In addition, the family planning policy carried out in different regions and among different nationalities has also differed, hence, leading to such differences. Thus, we should explore the causes of these differences in depth, and we must conduct in-depth analytical research on the economic and social areas that influence the population growth process.

## TRANSPORTATION

### Transportation, Post, Telecommunications Figures *HK2101130591 Beijing CEI Database in English* 21 Jan 91

[Text] Beijing (CEI)—Following is a list of volume of transportation and post and telecommunications service in 1990, released by the State Statistical Bureau.

	Unit	1990	1989
Cargo	100 m t	25.69	26.54
Railways	100 m t	14.62	14.68
Auto	100 m t	5.71	6.18
Ships	100 m t	5.36	5.68
CAAC	10,000 t	35.1	29.93
Circulating cargo (100 million tons/km)			
		22257.33	21709.81
Railways		10593.15	10383.26
Auto		353.26	415.39
Ships		11302.96	10904.45
CAAC		7.96	6.71
Passengers (100 million persons)		53.57	56.91
Railways		9.49	11.28
Auto		42.03	43.29
Ships		1.90	2.22
CAAC (10,000 person)		1517	1199.60
Circulating passengers (100 million persons/km)		4867.19	5357.48
Railways		2615.61	3041.86
Auto		1882.72	1960.12
Ship		150.87	175.46
CAAC		217.99	179.94
Cargo handling of main coastal ports (100 million tons)		4.62	4.69
Circulating volume of civil aviation (100 million tons/km)		23.87	19.94
Volume of post and telecommunication (100 million yuan)		80.27	64.50

### Yangpu Port Under Construction in Hainan

OW0102111691 Beijing XINHUA in English  
0839 GMT 1 Feb 91

[Text] Beijing, February 1 (XINHUA)—The first phase of construction of Yangpu Port in Hainan, the southern most province in China, is near completion.

The first phase of the port construction covers an area of 1.2 square kilometers and involves a total investment of 180 million yuan (about 35 million U.S. dollars), according to today's PEOPLE'S DAILY.

The construction includes residential areas, a highway, two 20,000-ton berths, a seamen's club and a sports ground.

The port's geological advantages have aroused great interest at home and abroad. The port, which faces Beibu Gulf, has an average water depth of about 11 meters, 24 meters in the deepest areas. It also has little sludge. It is believed that it will only need to be dredged once every 20 years, as opposed to many other ports which need to be dredged every year.

Located along 119 kilometers of coastline in the northwest part of Hainan Province, the port is also well protected from typhoons.

Now port officials are planning to build a 100,000-ton oil harbor.

Local officials hold that the completion of the first phase of construction will surely promote the economic development of Hainan Province.

### Hebei Reports on Highway Construction

SK0802071591 Shijiazhuang HEBEI RIBAO  
in Chinese 19 Dec 90 p 1

[Summary] During the Seventh Five-Year Plan period, Hebei Province has scored marked achievements in building and revamping highways. The newly increased highways during the period have been 2,794 km. The province's total length of highways is 43,492 km, an eightfold increase over the figure scored at the early stage of China's founding. Of these highways, the length of high-class and second-high-class paved highways is 25,500. During the period, the newly increased second-class highways have been 1,421 km, the length of newly built and revamped rural roads has reached 17,037 km and of rural asphalt roads has been 7,410 km. At present, administrative villages across the province are connected with roads on which both carriages and motor vehicles can run, towns and townships are connected with highways, counties and cities are connected with asphalt highways, and 10 large and medium-sized cities across the province are connected with Tianjin and Beijing municipalities by the high-class highways.

### Tianjin Plans Port Facility Expansion

OW0402164891 Beijing XINHUA in English  
1436 GMT 4 Feb 91

[Text] Tianjin, February 4 (XINHUA)—Tianjin City will further expand its port facilities to promote foreign trade and the use of overseas funds in north China, a port official told XINHUA.

Zhu Qingyuan, director of the Tianjin Municipal Harbor Superintendency, said that Tianjin port has been an important foreign trade outlet for north and northwest China. At present, 80-90 percent of Beijing's and Tianjin's imports and exports are handled by this port.

The director said that Tianjin will adopt three measures to improve and increase its port facilities:

—Expanding the existing bonded warehouse into a bonded zone to promote entrepot trade and exports. According to the city's plan, the bonded zone will cover 1.4 square kilometers after the first phase of development and will be expanded to seven square kilometers in the future;

—Increasing the Euro-Asian continental bridge transportation. At present, Tianjin has provided services for transporting overseas containers to Mongolia. It plans to expand these services to include the Soviet Union and other Eastern European countries;

—Developing Tianjin's container handling capacity. At present, Tianjin is the No. 1 container port in China with an annual capacity of 700,000 twenty-foot units. The port administration plans to further increase international shipping routes, set up joint venture container terminals with overseas shipping firms, and allow foreign companies to lease or independently operate several of its existing terminals.

Director Zhu stated that Tianjin will build six additional deep-water berths when the six berths currently under construction are completed. Furthermore, the city also plans to construct five deep-water berths near the Tianjin Economic and Technological Development Zone, said Zhu.

### Xinjiang Speeds Highway Construction

HK2002024591 Beijing CHINA DAILY in English  
20 Feb 91 p 1

[By staff reporter]

[Text] The transportation authorities in Northwest Xinjiang Uygur Autonomous Region have decided to speed up highway construction to accelerate the exploration and exploitation of oil and gas resources.

The region, with an area of more than 1.6 million square kilometres, has been proved to be rich in oil and natural gas resources.

Zhuang Caiqing, a top official from the region's transportation department, said the existing highways would be upgraded and new ones would be built.

A highway running across the Taklimakan Desert, nicknamed the Sea of Death, is under construction and is expected to be completed by the end of next year, he said.

The 346-kilometre highway is aimed to help in the exploration of oil in the Taklimakan Desert, the country's largest desert area.

At present, all equipment and materials have to be transported about 1,000 kilometres to Tazhong, in a roundabout way, wasting a lot of money.

### **Oil Road Drilled Through Xinjiang Desert**

*OW1802030391 Beijing XINHUA in English  
0230 GMT 18 Feb 91*

[Text] Beijing, February 18 (XINHUA)—Construction of a highway running across the Taklimakan Desert, the country's largest such in the Xinjiang Uygur Autonomous Region, is in progress, PEOPLE'S DAILY reported today.

So far, the construction of a highway section linking the Lunan oil exploration zone with the Tarim River has been completed.

The 346-kilometer highway is running from Lunan to the Tazhong Oilfield in Central Desert. Construction is expected to be completed next year.

The 337,000-square kilometer desert, known as the Sea of Death, is endowed with rich oil and gas resources.

## **AGRICULTURE**

### **Regulations on Compensation for Land Requisition**

*OW2402151091 Beijing XINHUA Domestic Service  
in Chinese 1105 GMT 23 Feb 91*

[Text] Regulations on Compensation for Requisition of Land for Construction of Large and Medium-Sized Water Conservancy and Hydroelectric Projects and Relocation and Resettlement of Residents:

#### **Chapter 1. General Provisions**

Article 1. These regulations are formulated in accordance with the pertinent regulations of the "Land Management Law of the People's Republic of China" and the "Water Law of the People's Republic of China," to strengthen the management on the requisition of construction land for large and medium-sized water conservancy and hydroelectric projects, rationalize requisition of land, and appropriately relocate and resettle residents.

Article 2. These regulations are applicable to state's compensation for land requisitioned for constructing

large and medium-sized water conservancy and hydroelectric projects (hereafter referred to as the water conservancy and hydroelectric projects) and to relocation and resettlement of residents.

Article 3. The state encourages and supports rational migration of people. The state adopts the approach of paying premigration compensation and subsidy and supporting postmigration production.

Article 4. The following principles should be followed when compensating for land requisitioned for water conservancy and hydroelectric projects and relocating and resettling residents. (1) Correctly handle the relationship among the state, collectives, and individual. The arrangement of migration zone and resettlement of migrants should be made in accordance with the overall interests of the state. (2) Resettlement of people and construction of reservoirs, development of natural resources, and preservation of water and soil should take the development of the economy into consideration. Living conditions of relocated residents should equal to or exceed their previous level. (3) Resettlement of migrants should be carried out comprehensively in line with local conditions. Migrants should make rational use of resources in reservoir zone or reclaim land from barren mountains or from the sea in accordance with relevant state laws and regulations.

#### **Chapter 2. Compensation for Requisitioned Land**

Article 5. Construction units shall pay compensation for requisitioned land for large scale water conservancy and hydroelectric projects and for relocation and resettlement of residents: (1) The compensation fee for requisitioned farmland is three to four times of the average annual output value from the farmland three years prior to the requisition; the subsidy for every one of the agricultural population who is required to resettle is two to three times of the average annual per mu output value from the farmland three years before the requisition. Compensation fees for land requisitioned for large scale flood-control, irrigation, and drainage projects may be lower than the above; the Ministry of Water Resources shall work out a specific land compensation fee with departments concerned.

(2) As for requisitioning other types of land, people's governments in provinces, autonomous regions, and municipalities shall consult point (1) of this article on paying land compensation fee and subsidy for a resettlement.

Article 6. Compensation for requisitioned land and subsidy for resettlement shall be paid according to stipulations in Article 5. Due consideration for increasing the subsidy may be given to resettled residents who are still in difficulty. However, the total compensation for requisitioned land and subsidy for resettlement shall not exceed the following multiples of the average annual output value for the three years preceding the requisition:



(1) Reservoir area (including dam area) with per capita cultivated land area of more than one mu shall not exceed eight times;

(2) Reservoir area (including dam area) with per capita cultivated land area between half a mu and one mu shall not exceed 12 times;

(3) Reservoir area (including dam area) with per capita cultivated land area below half a mu shall not exceed 20 times.

Article 7. Criteria for compensation for requisitioned land and subsidy for resettlement for construction of medium-sized water conservancy and hydroelectric projects shall be stipulated separately by the provincial, autonomous regional, and municipal people's governments in accordance with the "Land Management Law of the People's Republic of China," and Articles 5 and 6 of these regulations.

Article 8. Compensation for subsidiary products and seedlings shall be determined by the respective provinces, autonomous regions, and municipalities.

Article 9. Compensation for requisitioned land and resettlement subsidy applied by land requisition units for resumption and development of production, or living subsidy for employment of the surplus labor and those made incapable of employment as a result of the requisition, may also be taken care of by the counties (cities). The counties (cities) may make coordinated arrangement for the application of fund for land development, production, and livelihood of resettled residents provided such fund is specifically allocated and used for these purposes and not misappropriated.

Resettlement expenses shall be included in project costing. Upon commencement of construction work, money shall be appropriated in advance in accordance with the year of approval of the resettlement plan.

### Chapter 3. Relocation of Residents

Article 10. Construction unit of water conservancy and hydroelectric projects shall, in collaboration with local people's governments, formulate an economically viable plan for resettlement of residents in accordance with the natural and economic conditions of the resettled area. A plan for relocating residents shall be submitted along with a feasibility report and preliminary design documents to the relevant department for examination and approval. Project design documents and land requisition application shall not be examined nor approved, and construction work shall not commence without a plan for relocating and resettling residents.

Formulation of the resettlement plan shall be in compliance with the relevant stipulations of the state.

Article 11. The approved resettlement plan shall be implemented by the people's governments at and above the county level. Resettlement shall be carried out in accordance with the progress of construction of the

project, and production and livelihood of the resettled residents shall be properly arranged. On completion of the project, responsible department of the project concerned, shall, in conjunction with the local people's governments at or above the county level of the resettled area, carry out inspection and acceptance of the resettlement work.

Article 12. Residents affected by water conservancy and hydrelectric projects shall be relocated within their own township or county. Residents who cannot be resettled within their own township or county shall be resttled in the area of the project. Residents who cannot be resettled in the benefited area shall be relocated elsewhere in accordance with economically justifiable principle.

Surplus labor resulting from land requisition for water conservancy and hydroelectric projects shall be resettled by the local people's governments by developing agricultural sideline production and village and town enterprises.

Article 13. In the event that residents voluntarily go and seek refuge with relatives and friends, the people's governments of the vacated land and relocated land shall negotiate and reach an agreement with the residents concerned to complete the relevant formalites. The people's government of the vacated land shall hand over appropriate compensation for the requisitioned land and resettlement subsidy to the people's government of the resettled land for an overall arrangement for the production and livelihood of the settlers.

Article 14. The settlers whose land has been wholly requisitioned by requisition units and who virtually cannot be relocated in accordance with Articles 12 and 13 of these regulations shall be allowed to convert their originally agricultural households into nonagricultural households after examination and approval by the relevant provincial, autonomous regional, or municipal governments, and such examination and approval shall be strictly carried out. Compensation for the requisitioned land and subsidy for the resettlement shall be handed over to the people's governments at or above the county level for overall arrangement for the production and livelihood of the settlers.

Article 15. Residents who have to be moved under the Regulations on Resettlement of Residents shall not delay or refuse to move under any pretext. Resettled residents shall not arbitrarily return.

Article 16. Cities and towns that are required to be relocated so as to give way to the construction of water conservancy and hydroelectric projects should be examined and approved according to relevant regulations. Investment for constructing new cities and towns of their original size or standard should come under the budgets of water conservancy and hydroelectric construction works. Increased investment for constructing new cities and towns with enlarged size or enhanced standard, as

approved in accordance with the state regulations, should be borne by the local people's government concerned.

For enterprises and establishments, which are required to be relocated so as to give way to construction of water conservancy and hydroelectric projects, investment for constructing new factory buildings and installing relevant equipment of their original size and standard, should come under the budgets of water conservancy and hydroelectric construction works. Increased investment for the construction of such projects with enlarged size or enhanced standard should be borne by the units concerned.

Article 17. Reservoir Construction Fund, set up by the state, should be used for the maintenance of reservoir areas of large and medium-sized water conservancy and hydroelectric projects and in support of settlers' production. Methods for drawing, managing, and using reservoir construction funds for newly constructed water conservancy and hydroelectric projects should be jointly drawn up by the Ministry of Water Resources, the Ministry of Energy Resources, and the Ministry of Finance.

Article 18. At the completion of hydroelectric projects, relevant ministries of the state should guarantee the supply of verified amount of electricity consumed by the settlers in both production and household. Settlers should pay for the electricity consumed. Special concessions should be given for the verified amount of electricity consumed by the settlers in high-pressure pumping and building of dikes for production purposes.

The development and exploitation of water bodies and areas emerged from receding of waters should be placed under the unified management of the project management unit. On the premise of unified coordination among reservoirs and the guarantee of project safety, priority should be given to organized settlers in this respect.

Article 19. While allocating funds under the headings of supporting the peasants, aiding the poor, and for purposes related to communications, culture, education, and public health, the state should give due consideration to the resettlement areas as a means to help the settlers settle down and develop productions.

In developing production projects in resettlement areas and areas benefited by such schemes, the state should make efforts to link such projects with the interests of the settlers.

Article 20. The duration of support given to the settlers should last from five to 10 years, starting from the day on which the enforcement of the Regulations on Resettlement of Residents ends. For those settlers who resettle themselves in batches in accordance with the said regulations, it should be calculated from the day such batch of settlers is resettled.

#### Chapter 4. Penalties.

Article 21. Any unit found guilty of illegally misappropriating compensations or resettlement subsidies given to units, whose land has been acquired, shall be ordered to refund or pay compensation for it, and is also liable to fine. Relevant units or higher authority should impose administrative punishment upon the responsible persons in accordance with the provisions of the "Land Management Law of the People's Republic of China." Individuals found guilty of illegally misappropriating compensation or resettlement subsidies given to units, whose land has been acquired, should be dealt with according to corruption law.

Article 22. Cases involving violation of provisions of these regulations in the process of land acquisition and compensation, as well as relocation and resettlement of settlers, resulting in the disruption of normal work and production, should, if punishment falls under the public security law, be punished by the public security organs in accordance with the provisions of the "Regulations on the Administration and Punishment of Offenses Related to Public Security of the People's Republic of China." Offenses that constitute a crime should be dealt with under criminal law.

Article 23. Personnel of state administrative organs who abuse their authority should be given administrative punishment by their own unit or responsible organ of higher level.

#### Chapter 5. Supplementary Articles.

Article 24. Provincial, autonomous regional, and municipal government may formulate implementation rules in accordance with these regulations.

Article 25. Methods for land acquisition and compensation, as well as relocation and resettlement of settlers involving water conservancy and hydroelectric projects of extra size, should be separately formulated by the responsible department under the State Council, to which such formulated methods are submitted for examination and approval.

Article 26. The Ministry of Water Resources and the Ministry of Energy Resources shall be the interpreting authorities of these regulations.

Article 27. These regulations shall take effect from 1 May 1991.

**Role of Local Governments in Agricultural Growth**  
91CE0262A Beijing ZHONGGUO NONGCUN JINGJI  
[CHINA'S RURAL ECONOMY] in Chinese No 12,  
20 Dec 90 pp 18-22

[Article by Yu Xian (0151 6343) and Wu Ling (0702 1515), Rural Development Research Institute, Chinese Academy of Social Sciences: "Cursory Discussion of Local Government Intervention in Agricultural Growth"]

[Text] Government intervention in agricultural growth is particularly important and indispensable so long as there is a nationwide shortage of farm products, so long as relative returns from agriculture are low and cannot be greatly changed for the time being, and so long as the development of farm product markets is extremely incomplete. Since China is a vast land in which circumstances vary greatly from place to place, and in which regional development is uneven, most central government intervention in agriculture is effected through local government intervention. Thus, local government intervention is both an extension of central government intervention and also has a decidedly local character.

For many years, government intervention was accepted under duress without further questioning. Recently, it has been realized that excessive government intervention both leads to negative results in the form of defects in market development and a departure from policy objectives, and is a total negation of the proper position and positive effects of the role of administrative intervention. In particular, with the "princely economy" that took shape following the "apportionment of revenues and expenditures between the central and local governments," the scale of central government intervention was taken over to a greater extent by local government intervention. Furthermore, the self-contradictions and nonstandardization of local government intervention; the simultaneous existence of local government support for agriculture and protectionism alongside a tendency to invest in nonagricultural projects; and the overlapping between expanding local government interests with regional blockades, control and counter-control have increased difficulties in understanding and dealing with this problem. Relations between the central and local governments, one local government and another, local governments and peasants, and local governments and enterprises, standardized local government behavior has become an important ingredient in promoting the further growth of agriculture.

#### **I. Local Government Policy Objectives and Restraints on Actions**

Local government actions are largely restrained by the administrative organization system, the government financial system, the macroeconomic climate, and local economic conditions. Local government policy goals are frequently inhibited by "what should be done," "what one would like to do," and "what can be done."

Local government actions are limited, first of all, by the central government's agricultural product plans, mostly the limitations that fixed procurement quotas impose on agricultural products such as grain, cotton, and live hogs, which affect the national economy and the people's livelihood. In ensuring a steady supply of agricultural products, local governments are confronted with "what can be done." Naturally, they have to make a corresponding investment of limited capital in agriculture to ensure steady growth of agricultural production. Since a large part of central government attention is focused on

the fulfillment of fixed procurement quotas for grain, cotton, and live hogs, the restraints on agricultural production are indirect. The central government's administrative directives cannot be translated directly into the investment of capital. Central government supplementary investment "fishing policies" (i.e., the "several little bit" policy whereby the central government takes a little bit, the local treasury takes a little bit, township and town enterprises take a little bit, and the peasants pool resources to invest a little bit) can by no means control the investment of sufficient funds in agriculture.

Under the prevailing system whereby revenues and expenditures are divided between the central and local governments, each being responsible for balancing its own budget, local governments' "should do matters" are not necessarily their "want to do matters." The limitations resulting from a change in the distribution of financial resources from "the central government dominates" to "local governments dominates," and the blurring of government administrative responsibilities and economic responsibilities have led to local governments resorting to every possible means to bring more resources to bear on the nonagricultural sector, which yields higher revenues and profits, in an effort to maximize revenues and profits.

When local governments are at a "hot" level (vigorous total demand) in the macroeconomic climate but the situation in agricultural production has eased, it is easy for agriculture to be overlooked among policy goals. When the supply of agricultural products is tight, causing serious damage to development of the entire economy, policy goals place greater emphasis on agricultural growth. In particular, when economic retrenchment policies curtail growth of nonagricultural industries (principally township and town enterprises), inevitably this adversely affects local governments' policy goals.

The present "two track system" of prices, and the blurred government administrative and economic functions greatly increase the complexity of local government intervention. When an irrational administrative directive signal and two or more price signals simultaneously play a role, neither peasant behavior nor business enterprise behavior necessarily changes in a direction that promotes agricultural growth. Consequently, in such a complex and changing macroeconomic climate, rational local government administrative directives appear to be particularly important.

Local natural and economic conditions prescribe a pattern in which the interests of agricultural product producing areas and sales areas are antithetical. Intervention on the part of a producing area local government cannot help but have a bearing on the problem of bringing into line the interests of one part and another, and between the totality and parts. When local governments complete "should do matters" that advance steady growth of agriculture, they discover that more has been "done for others," without benefit to their own

"want to do matters," namely the development of non-agricultural industries that yield high profits and taxes. Thus "protectionism" raises its head as a reflection of their own instincts.

In short, given these restrictions in several major regards, the matters in which local governments are able to intervene are frequently very much catch as catch can, and extremely inconsistent, or even mutually contradictory administrative interventions.

## II. The Form, and the Positive and Negative Effects of Local Government Intervention in Agricultural Growth

Obviously, we cannot simply use the shortcomings of blurred local government administrative and economic functions to negate needed intervention actions, thereby emphasizing the full use of the market mechanism to promote steady growth of agriculture. Given the present situation of an incomplete developed market mechanism, not only is this an unrealistic idea, but even western countries in which the market economy predominates today cannot get away from government intervention to support and control agriculture. The United States, for example, uses a system whereby land is removed from cultivation, and government purchases, and price controls as means of intervention aimed at the prevention of fluctuations are used to narrow price and income instability, to improve the distribution of resources, and to increase the margin of grain security. Such government intervention expands to joint intervention among governments internationally, such as the EEC's "threshold principle."

In view of China's circumstances, such local government intervention must both compensate producers' losses of benefits and also protect the stability of consumers' interests. It must ensure fulfillment of fixed contract procurement quotas, and also reduce the erosion of benefits in producing areas. The form of intervention has to be a combination of supportive and restrictive kinds of intervention.

### A. Supportive Intervention

Supportive intervention consists mostly of direct investment of capital and materials, the building of large facilities for agricultural use, demonstrations of scientific techniques with support given for their promotion, and indirect price subsidies, as well as market organization, and the building of integrated services, etc.

The ways in which these forms of intervention are implemented in individual areas varies; however, mostly they are put into effect through "centralized" rural functions. Surveys we conducted in Shandong and elsewhere showed that local government supportive investment both played a model role, and also had a powerful "multiplier effect," which is to say a steadily expanding energizing role. County government investment in certain facilities used in agriculture frequently resulted in greater investment by townships, villages, and peasants. An example was the second generation farmland forest

belt and the building of associated water conservancy in Yanzhou County. In organizing this large scale project, a cadre contract responsibility system was used whereby counties contracted with townships, townships contracted with control areas, control areas contracted with villages, and villages contracted along routes. In recent years, the county invested a total of 2.1 million yuan, and most of the remaining investment required came from townships and villages, as well as from peasant provided funds and labor. In the laying of underground conduits, for example, the county invested 15 yuan per mu, the remaining 45 yuan coming from funds pooled by townships and villages. The building of a farmland water conservancy project in Yucheng County that took more than 10 years entailed centralized leadership, centralized planning, centralized organization, and centralized construction. By this is meant that a little came from county and township treasuries, a little came from the borrowing of foreign capital, township and town enterprises made up a little, and some peasant funds were invested for an investment totaling 195 million yuan in 10 years. Most important was the input of peasant labor, every laborer in the county investing more than 35 days of compulsory labor each year, the county and townships organizing the labor for concentrated use. For projects that benefit a single township or several villages, labor can be exchanged, everyone benefitting to the same extent over the years. Examples include the building of farmland forest belts and farmland water conservancy, which would be impossible without the supportive intervention of local governments. Nowadays, if such local government supportive intervention is turned down, nothing can be accomplished on large scale facilities for agricultural use.

Science and technology are, without doubt, the determinants of agricultural growth; but advanced scientific and technical accomplishments have to be translated into real productivity in millions upon millions of households. Scientific and technical inputs have to go into agricultural production under the prevailing system and produce results. Use of government intervention is an effective choice at the present time. The three-in-one complete process service-type group contracting method that employs science and technology, materials, and administrative intervention, which all jurisdictions have worked out in the process of using science and technology to invigorate agriculture, uses the organically combined overall effect of scientific and technical direction, material inputs, and administrative intervention. This three-in-one system of science, materials, and administrative intervention solves the problem of scientific and technical personnel fighting a lone battle in isolation in sole contracting, and materials supply units importing unsuitable goods and not supplying them on time. It enables the building of science and technology on a wide social foundation and energetic administrative measures, as well as full material guarantees. It promotes the functional transformation of all sectors, particularly the functional transformation of local government departments, increases the effective use of science and

technology funds, and increases the power and the pressure of scientific and technical development. Group contracting has both economic limits and administrative limits. Counties sign contract agreements with townships and towns, townships and towns with villages, and villages with peasant households level by level. Administrative leaders are responsible for contract group propagandizing and arousal, organization and coordination, material supply support, and support in the implementation of contract plans. Scientific and technical personnel are responsible for drawing up technical plans, for technical training, for setting up demonstration models, and for providing on-the-ground technical guidance. A combination of economic rewards and punishments and administrative rewards and punishments is used, particulars about contracting being placed in cadre official dossiers to serve as a basis for promotions, career advancement, and performance evaluation. Our surveys found that the widespread application of such group contracting to the development of one ton grain fields, as well as to intermediate yield and low yield fields produced marked results in Yucheng County and Huantai County in Shandong.

From county level experimental centers for the spread of agricultural techniques, to township level agricultural technique promotion stations, to village level technical services units and scientific and technical demonstration households, all of which are part of the building and perfection of a tri-level experimental network for technical promotion, to the implementation of "spark," "prairie fire," and "bumper harvest" plans, central government and local government scientific and technical policy, joint intervention is needed.

Indirect price subsidies are a more flexible means of local government intervention. Agricultural means of production that peasants have to be guided to buy, and agricultural products that peasants have to be encouraged to produce may be supported through price subsidies. Both buyers and producers get a subsidy, larger buyers and large producers gaining more price subsidy support. An example was the promotion of a machine for returning stalks and stems to the fields in Huantai County, Shandong for which the local government provided a one-third subsidy. As a result, the area to which stalks and stems were returned reached more than 73 percent. In Yanzhou County, where the soil is lacking in phosphate, a subsidy of 40 yuan per ton of phosphate purchased was provided, the county expending 600,000 yuan annually for this purpose. Subsidies remained in effect for three years for soil improvement within the county.

The "three links" policy whereby chemical fertilizer and diesel fuel are provided at state prices and down payments on purchases are made on the basis of grain (or cotton) fixed contract procurement quotas was initially a form of central government supportive intervention. Later on, the link norms were assigned by provinces, prefectures (or municipalities), and counties to townships and towns to be finally broken down for villages on

the basis of the amount of farmland, population, and output. In the realm of supply at state prices, some provinces, prefectures, and counties have expanded the system to means of production such as ground mulch and pesticides. The "three links" policy is, in fact, central government and local government supportive intervention in the form of price subsidies. Despite certain defects in its implementation, this is a matter of perfecting this method of intervention. In implementing the "three links," local governments have appended "local government added" and "second round fixed procurement" grain to give this supportive form of intervention a markedly restrictive aspect as well. Many of the shortcomings of the "three links" policy stem from the low efficiency at which intervention operates. Problems with overelaborate linkage methods, work delays, and waste of time have to be solved. The supportive intervention of "subsidies" has to be maintained, but state prices have to be eliminated with the implementation of "return of differential profits and two final settlements of accounts," to improve intervention efficiency.

Markets are a highly effective mechanism for the distribution of resources, but they cannot completely take the place of government intervention. Market formation requires that government act as a market organizer and as a maintainer of market order. Once markets are fully developed, government is even more needed as a regulator of market forces and a controller of market size. Local government organization of farm product markets and other production element markets is a form of indirect supportive intervention. Today, when farm product markets are not yet fully developed, and a difficulty buying, difficulty selling, and rounds of rises and falls exists, permitting the millions upon millions of peasant households to form markets spontaneously would be difficult. Local governments employ multiple forms of organization such as officially operated, civilian operated, and combination official and civilian operated retail markets, as well as the organization of economic benefit communities made up of trade industry, and agriculture, or production, supply and marketing. They use agricultural by-product production bases in which peasant households, and rural collective businesses predominate, agricultural by-product processing operating systems made up primarily of city and countryside industries and commercial and trade enterprises, a commodity flow system made up primarily of the business and trade system, and a regulation and control system made up primarily of functional government units to form a dominant four-in-one structure. This is actually the use of intervention to attain the goal of solving conflicts between small scale production and large markets, and to ease irrational comparative prices of industrial and agricultural products, thereby coordinating and regulating the interests of all parties concerned.

#### B. Restrictive Intervention

Currently local government restrictive intervention as applied to agricultural growth is a hot topic about which

controversy is most intense and condemnation greatest. The most important method that local governments use in applying restrictive intervention to agricultural production is control of the area sown. In the purchase and sale of farm products, they use the temporary or partial closing of markets, and they also incite "price wars" as means of carrying out restrictive and counter-restrictive intervention.

Local government use of "three links" policy was referred to above. This is used in conjunction with control of the area sown to control agricultural production. Such restrictive intervention is often either feeble or too forceful. The present intervention in cotton production reflects in a concentrated way the aggravations of this restrictive kind of intervention. Solution to this difficulty is possibly only through the use of greater and more effective supportive intervention to take the place of this restrictive intervention.

Local protectionism is an instinctive reaction of local governments in producing areas to safeguard their interests. Whenever comparative returns from agriculture are low, in order to propel the growth of agriculture, local governments resort to supportive intervention as well as to purchase and sale price inversion subsidies, and subsidization of losses. Insofar as the central government treasury recognizes the base figures, these subsidies are borne by the government of the place of shipment. Therefore, China's "major grain producing counties" are also substantially also "financially poor counties." The more grain shipped, the greater the amount of subsidy that the local treasury has to bear, and the greater the loss of producing area returns. The same situation applies to the relationship between other agricultural product producing and marketing areas. In a situation of long-term shortage of grain and other agricultural products, and the system of dividing revenues and expenditures between the central and local governments and holding each responsible for balancing its own budget, the goal of producing area governments in temporarily closing or partially closing markets is, first of all, to ensure fulfillment of fixed contract procurement quotas, as well as an effort to prevent producing area benefits slipping away into marketing areas. Therefore, this instinctive reaction is rational, but at the same time market barriers that artificially obstruct commodity flow give rise to regional crises in "difficulty selling" farm products, and a fragmentation of domestic markets. When the cry of "difficulty selling" appears, marketing areas frequently refuse to live up to contracts, thereby intensifying both the "difficulty selling" situation and market chaos. During times of farm products shortages, in particular, procurement "price wars," and vying to jack up prices and panic buying cause both producing and marketing areas to suffer. Great rises and falls in production mean that both producers and consumers sustain heavy blows. Because of its serious spread, this restrictive intervention has become the most classic feature of a "princely economy."

### III. Standards for and Correction of Intervention and the Starting Point for "Cutback Plans"

As a result of local governments' emphasis on other than agriculture, and their inconsistent supportive intervention on behalf of agricultural growth, as well as restrictive intervention that leads to market chaos and fragmentation, standards for and rectification, as well as control and weakening of local government intervention has become a hot topic for discussion everywhere. There are four main lines of thought as follows: First is formulation of an "agricultural investment law," second is formulation of "anti-protectionism laws," third is "revenue apportionment system reform," and fourth is moving ahead with a complete "cutback plan."

There is a general trend toward formulating an "Agricultural Investment Law," and standardizing government actions (including both central government and local government actions), and are matters about which the public holds high hopes. In addition to standardizing the different investment mainstays for different scales of investment, spelling out the authority of governments at all levels, and the matching of investment by governments at all levels, we believe that it is important to establish investment in agriculture as a percentage of total investment and as a percentage of growth, drawing up mandatory enforcement methods to correct actions not aimed at improving agriculture.

Drawing up of an "anti-protectionism law" poses numerous problems requiring comprehensive consideration. First is problems encountered whereby the returns of producing areas flow away to marketing areas; and second is "two track" prices and "multi-track" control. These constitute the main obstacles to an "anti-protectionism law" that has been needed for many years but never formulated. It is necessary to oppose both protection of backwardness and low efficiency, and to give full protection to basic and low profit industries. It is necessary to oppose both market fragmentation and price wars, and fully protect local government returns and a flexible price system. This will place farm product market protectionism between a rock and a hard place through legal regulation. Thus, formulation of an "anti-protectionism law" has as its prerequisite an increase in central government macroeconomic regulation and control capabilities, and solution to the subsidies that marketing areas and producing areas share.

Thinking about a "tax apportionment system reform" calls for a change from "financial contracting" to a "tax apportionment system," thereby weakening local governments' pursuit of material incentives for an increase in central government macroeconomic regulation and control capabilities to break down regional market barriers and eliminate market chaos. Taxes that ensure a concentration of financial resources in the central government and that are closely related to nationwide economic regulations should be designated central government taxes. Those that help contribute to local collection and control strength and stabilize local government financial resources, and that are taxes that are

appropriate to local government regulation and control should be designated local government taxes. The "tax apportionment system" will enable the central government to begin to reconcentrate financial resources nationwide; advance a national industrial policy; promote basic industries, particularly agricultural growth; and curb redundant and blind development of processing industries. However, implementation of a comparatively complete tax apportionment system requires changes in government functions that enable local government to reduce gradually investment in nonagricultural endeavors and in processing industries that yield high taxes and profits. Local government authority should be shifted mostly to noncompetitive, basic industries and basic facilities in which price restraints cannot be removed for the time being, particularly those that support agriculture. Unless this is done, there will be another round of "chaos as soon as restraints are removed, recentralization as soon as chaos occurs, more deaths as soon as centralization occurs, and removal of restraints again as soon as deaths occur" in a weird circle. In addition, "tax apportionment system reform" requires a rational tax collection system, and a rational price system, which poses increased difficulties for this advance. Kinds of taxes, and tax rates must be sensibly set, the tax burden must be fair, and the annual receipts that a primary level local government treasury receives from tax apportionment should be commensurate with the level of development of the region's production.

A comprehensive "cutback plan" requires accelerated building of state-owned property rights organizations to advance a separation of state-owned property rights functions and local government functions. It requires acceleration of the process of making banks independent to change the present situation in which local banking institutions are linked closely to local government; and it requires central government issuance to local government in the near future of mandatory subscriptions to national bonds for the building of capital facilities, effectively weakening the huge financial resources that local governments possess; and simultaneously moving ahead with "revenue apportionment system reform." In the process of accelerating banks independence, special attention must be paid to the special character of the Bank of Agriculture, containing township and town enterprise investment inflation, and ensuring increased investment in agriculture. When issuing national bonds, consideration must be paid to the unevenness of regional economic development that leads to unequal financial strength, particularly to the imbalance between agricultural and nonagricultural areas. Otherwise, "arbitrary uniformity" can only intensify this irrational state of affairs.

A "cutback plan" may be regarded as an effective avenue of thought for reversing the trend toward a "princely economy," however, in order to translate the weakening of local government financial strength into concentrated central government financial strength for use in advancing industrial policies, an "agricultural investment law" and associated regulations must be drawn up

as quickly as possible as the only way to advance the steady growth of agriculture.

### January Cereal, Oil Imports Listed

HK2602120291 Beijing CEI Database in English  
26 Feb 91

[Text] Beijing (CEI)—Following is a list showing China's import volume of cereals and oils in January 1991, released by the General Administration of Customs:

Item	Unit	Jan. 1991	Jan. 1990
Cereals	ton	86,130	659,126
Wheat	ton	31,570	538,308
Soybean	ton	—	56
Sugar	ton	45,873	14,690
Animal oils and fats	ton	7,771	5,586
Edible oil	ton	37,407	64,128
Other oils	ton	77,314	53,299

### World Bank Loan To Upgrade Quarantine Facilities

HK2602025391 Beijing CHINA DAILY in English  
26 Feb 91 p 3

[By staff reporter Zhu Baoxia]

[Text] The World Bank has approved a \$7 million loan to cover the next five years to help China modernize 16 major quarantine stations for imported and exported animals and plants across the country.

Between 1991 and 1995, the State is also to invest more than 35 million yuan (\$6.7 million) in the quarantine project for the promotion of technical training and the renovation of necessary quarantine facilities in cities including Shanghai, Guangzhou, Shenzhen, Zhuhai and Dalian, said Liu Shizhen, director of the Headquarters of Animal and Plant Quarantine of the People's Republic of China.

Liu hoped that through the work a computer information and data bank could be set up in China to provide timely information about world epidemics among plants and animals and effective ways of combating them.

"Great advancements can be expected in foreign plant and animal trade in the coming years with enhanced quarantine techniques and managerial methods," Liu commented.

According to Liu, the State is close to completing a quarantine law for the importing and exporting of animals and plants which will strictly fix specific tasks, work guidelines and methods for all institutes concerned.



The legal document is expected to go into effect some time this year after it receives final approval from the State Council, according to officials from the quarantine headquarters.

Liu added that officials are also considering further expanding quarantine services so as to educate producers on scientific ways of raising the export standards of animals and plants and to help decide on qualified species that can be imported so as to introduce more high-quality products into China.

Information from the Headquarters of Animal and Plant Quarantine indicates that the country has seen rapid development in quarantine work.

A complete network governing animal and plant imports and exports has been established.

So far, about 200 sub-quarantine institutes, five times the 1981 figure, have been set up in provinces, municipalities and autonomous regions with a total staff of 3,500, four times the number employed in 1981.

The quality of the personnel is improving through expanded training and academic exchanges with other countries.

Chen Zhongmei, professor of agronomy at the Headquarters of Animal and Plant Quarantine, noted that improved quarantine work had also helped improve the country's animal and plant exports.

In 1988 Japan lifted a ban on the import of Chinese sweet melons, one of the major products in northwestern Xinjiang Province.

In the past three years, more than 1,000 tons of such melons have been exported to Japan, bringing in more than \$1.4 million for the State.

Pig exports brought in more than 59 million Hong Kong dollars last year.

So far, the country has signed more than 50 provisions on quarantine and hygiene requirements of imported and exported animals and plants with 20 countries and regions including the United States, Japan and Canada, according to Chen.

### Heilongjiang Sells Rice at Less Than Negotiated Price

*SK2602064591 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 25 Feb 91*

[Text] Effective on 25 February, the grain departments of various localities across the province have begun to sell medium-price rice to urban residents. The province reaped a bumper rice harvest last year. Therefore, the grain departments and peasants have more rice which will be sold at negotiated prices. However, the fixed-quota rice supply for urban residents cannot satisfy needs and residents are making more demands. In order to satisfy the demands of urban residents and to stimulate the province's grain and edible oil markets, the grain departments, with the agreement of the provincial people's government and based on its good job in supplying grains and edible oil at parity and negotiated prices, will sell rice at a medium price which is higher than the parity price and lower than the negotiated one. In continuing to supply ration grains at parity prices, urban residents can still buy rice at the parity price in line with the quota each month, but they can also buy rice at the medium price if they want.

### Henan 1991 Crop Area

*91P30094C Beijing JINGJI RIBAO in Chinese 1 Feb 91 p 3*

[Summary] According to a survey of 7,330 rural households in 59 counties in Henan Province, the planned grain area in 1991 is 135,650,000 mu, a 2.93 decline from 1990, the summer grain area will decline 0.66 percent and the autumn grain area will decline 5.64 percent. Due to declining grain prices and profits and limited funds and storage facilities, the grain area has declined. The cotton area will be 16,340,000 mu, a 32.4 percent increase, and the tobacco and oil crop area will increase 12.8 percent and 3.98 percent respectively. The cotton procurement price will increase 27 percent over 1990, tobacco 20 percent and oil crops 28 percent.

### Yunnan 1990 Harvest

*91P30094B Kunming YUNNAN RIBAO in Chinese 28 Jan 91 p 1*

[Summary] In 1990 the gross output value of agriculture in Yunnan Province was 9.491 billion yuan (based on 1980 constant prices), a 5.4 percent increase over 1989, and grain output was 10.604 billion kilograms. Pork, beef and lamb output was 747,000 tons, a 9.2 percent increase, and aquatic products output was 46,000 tons, a 4.3 percent increase.

### Quotations From 'New Enlightenment' Movement

91CM0179B Beijing WENYI LILUN YU PIPING  
[THEORY AND CRITICISM OF LITERATURE AND  
ARTS] in Chinese No 6, Nov 90 pp 132-141

[Article by Yu Sheng (3254 3932), excerpt editor, and Tian Li (3944 0500), responsible editor: "About 'New Enlightenment'—Editorial Excerpts"]

[Text] The first issue of XIN QIMENG [NEW ENLIGHTENMENT], titled "The Times and the Choices," was published in October 1988 with a run of 20,000 copies. The second issue, titled "Crisis and Reform," came out in December 1988 in a 10,000-copy run. The third issue, titled "On the Concept of Alienation," was published in February 1989 in 10,000 copies; and the fourth issue, titled "Lessons of the Lushan Conference," appeared in April 1989 with a run of 9,000 copies. Both the fifth and sixth issues were written and sent to the compositor, but were not bound for publication. The former was titled "Re-Understanding Capitalism," and the latter was titled "In Commemoration of the 70th Anniversary of May 4th."

XIN QIMENG was published by the Hunan Education Press and published by the Dongshan Book Company in Shanghai.

Issues 1 through 4 of XIN QIMENG contained a total of 19 essays written by Tong Dalin [4547 1129 2651], Ruan Ming [7086 6900], Liu Xiaobo [0491 2556 3134], Wang Ruoshui [3796 5387 3055] (two articles), Jin Guantao [6855 6034 3447], Li Honglin [2621 3163 2651], Yu Haocheng [0060 3185 2052], Bao Zunxin [0545 6690 0207], and Li Rui [2621 6904]. In addition, the fourth issue of XIN QIMENG published a series of "New Enlightenment Sketches," which were conversational articles written by eight different people.

#### I. What Is XIN QIMENG?

**Jin Guantao said:** "I believe that an important significance of XIN QIMENG may be found in its advocacy of the word 'new.' It is a reenlightenment of the Chinese people... New enlightenment means more than a continuation of the first enlightenment. It is a completion of the unfinished tasks of the first enlightenment. It also includes a further perception of the first enlightenment itself that enables the second enlightenment to reach a higher plane, and enables a summarization of the valuable legacy of the past 70 years (actually, it is the experiences of 20th century man)." (Issue 4, pp. 8-9)

**He said further:** "Today's new enlightenment bears responsibility for accepting and clarifying the legacy that the socialist model has tried out and left to mankind during this century. It is necessary to know that the greatest historical events in the 20th century were the socialist trend in the middle of this century, and the historical reforms that socialist countries face at the end of this century. Socialism was the first large-scale experiment with a social model in the history of man. The

lessons of this experience are extremely important for man in entering the 21st century. Therefore, only by thinking deeply about this major issue can the new enlightenment be more profound than the May 4th era and produce richer fruits." (pp. 9-10)

**The article "Speak Up for 'Enlightenment'" said:** "So-called enlightenment means the eradication of blindness... In modern China, a general blindness exists... These various forms of blindness all have common social and historical origins. They are both outgrowths of feudal despotism and its modern refurbished ultraleftist line, and they are the social foundation for the existence of feudal despotism and its modern refurbished ultraleftist line and the promotion of its enslavement policy." (Issue 4, p. 109)

**It said further:** "The modern Chinese enlightenment movement is actually a continuation of the May 4th Movement. The reason is very simple. It is because the task of opposing feudalism is not yet finished... Because of the propagation in China of Marxism and socialism, numerous feudal despotic things are tagged with this new 'correct' label. For example, what is clearly a personal dictatorship is termed 'unified leadership'; what is obviously a centralization of power is termed 'democratic centralism' (and 'democratic centralism' is also treated as a synonym for 'democracy'); what are clearly special privileges enjoyed by those who act as lords and masters are termed 'serving the people'... and on and on. Then there are the 'fake' elections, the ritualistic propaganda about the rule of law, and the setting up of ignorant 'models' from whom people are called to learn; or else the holding of large commemoration meetings for the dead after acting with utter disregard for human life. This may be said to be a kind of conscious anti-enlightenment movement, which did not exist during the May 4th period." (pp. 10-11)

**It said further:** "When any authority (except a democratic authority or an authority that operates according to the rule of law) is established (if that is possible) on a foundation of economic backwardness and the general existence of an ignorant and blind society, it will ultimately coalesce with feudal despotism to become an obstacle to social progress." (pp. 11-12)

**It said further:** "Eradication of ignorance and overcoming alienation requires, first of all, the arousal of people's subjective awareness, self-awareness, democratic awareness, and awareness of their rights. Therefore, people should be told about genuine Marxism. Marxist humanitarianism must be strictly separated from feudalistic Confucianist doctrine, a value system established that has as its nucleus humanitarianism, the realization of personal worth, personal respect, personal freedom, and the creation of awareness to serve as the spiritual force for reform, using this in place of the so-called cohesiveness that the neo-Confucianists seek to become the most important link in enlightenment work. (p. 12)

**It said further:** "In Chongqing, I met Comrade Xu Xiaoping [1776 2556 2532], the translator of several of Stalin memoirs. I told him, 'the contribution you are making to enlightenment work is tremendous.' I sincerely thanked him. This is because in China, objective discussion and evaluation of historical events and historical personalities are still not possible. As soon as one touches upon personalities who played a major role in shaping the current situation in China, someone will appear to draw lines and set limits, things such as a '70-30 ratio' [70 percent achievements and 30 percent mistakes], and a '40-60 ratio.'" (p. 13)

**Shao Yanxiang [6730 3601 4382] said:** "Just 30 years ago, an article capsulized China's circumstances as being 'poor and blank.' According to an explanation circulated at that time, poor meant economically backward, and blank meant culturally backward. What was to be done? The situation was said to be like a blank sheet of paper that was 'good for drawing the newest and most beautiful pictures, and good for writing the newest and most beautiful words.' Seemingly, since it was a blank sheet of paper, what was drawn or written was up to people." (Issue 4, p. 15)

**He said further:** "Despotism plus poverty creates ignorance, and ignorance tolerates despotism and poverty. The blank of poor and blank should mean ignorance and despotism. It turns our former vaunted daring and industriousness into cowardice and indolence." (p. 15)

**The article "Going Beyond a Small-Scale Peasant Civilization" said:** "Some other enlighteners go to the other extreme, supposing that all that is needed is to transform the objective material world and then the basic nature of the citizens will automatically change along with it. They take off their leather shoes, put on straw sandals, and head for the rural villages and the mountains to change rural land relationships, change the ownership and distribution of rural wealth, and lead a great rural transformation on an unprecedented scale. The result, however, frequently is that they topple the spokesmen for small peasant civilization and themselves become a stubborn obstacle to a national transformation. This is the inevitable result of their becoming bogged down in mechanistic theories in the transformation of society." (Issue 4, p. 19)

**It said further:** "The new enlightenment movement is the staunchest supporter of the comprehensive deepening of reform that our country is now carrying out; it is the staunchest supporter of the Chinese people's smashing of the closed inward-looking order to orient toward the world; and it is the staunchest supporter of the emancipation of education and science from the old bonds to give impetus to the development by leaps and bounds of society's productivity. The fate of the new enlightenment movement is bound up closely with the fate of China's reform and opening to the outside world." (p. 20)

**The article titled "On Conclusions About 'Enlightenment'" said:** "One can say categorically that every course

taken toward modernization will follow the theme of enlightenment. Today's raising high the banner of 'new enlightenment' once again is also a historical inevitability. Modernization requires an enlightenment movement to lead the way for it." (Issue 4, p. 21)

**It also said:** "Enlightenment is not just the dissemination of new ideas and the popularization of new knowledge. A more important task of enlightenment is the building of a new world view... Therefore, for the enlightenment movement, the building of an enlightenment philosophy must be higher than and in advance of the spread and the popularization of enlightenment. Pointing out this characteristic may inspire China's enlightenment. If the May 4th enlightenment holds any valuable lessons that can be summarized, its inability to generate and shape an enlightenment philosophy for China is a major one." (p. 22)

**It also said:** "The reasons for the discontinuance of the May 4th enlightenment may also be sought in this sense. It was not simply that national salvation prevailed over enlightenment; more important was the lack of an enlightenment philosophy that could guide the people's overall behavior." (p. 23)

**It also said:** "Enlightenment's antifeudal task is total and unified... The important task for enlightenment is the application of new knowledge and new thinking to wash away the ignorance of feudalism. So-called feudalistic ignorance is essentially centralized, and is also a reflection of the ideology of small agricultural production relationships and feudal social relationships." (p. 23)

**It also said:** "I notice that quite a few of our comrades made two points in discussing opposition to feudalism. First, a substantial number stress their opposition to the pernicious influence of feudalism on political life. Second, there is substantial emphasis on a new tradition characterized by a leftist trend of thought after the spread of Marxism to China. Such a way of looking at opposition to feudalism is entirely understandable." (p. 23)

**It also said:** "The most important task in the ideological field in opposing feudalism is to use criticism to express all the conceptual forms of feudalism, finally digging out its root causes, that is, building a world view and methodology on the foundation of feudal production relationships. Unless these root causes are dug out, every partial criticism, no matter how brilliant its achievements will ultimately be buried in the restoration in a new guise of the corpse of feudalism." (p. 24)

**It also said:** "After Marxism spread to China, the root cause for its misconception and distortion also lay in the feudal world view. Feudalism in history and feudalism today are founded in an identical world view, and it is also necessary to perceive them from an identical angle." (p. 24)

**It also said:** "Those who are accustomed to practicing 'leftism' have never opposed feudalism. When they

oppose capitalist ideology, feudalism frequently runs rampant. The essence of so-called 'leftism' is actually feudalism." (p. 24)

**It also said:** "The wealth of 18th-century enlightenment thinking still holds important significance for China's opposition to feudalism in the 20th century." (p. 25)

**The article titled "Reform Requires New Enlightenment" said:** "Some comrades at the policymaking level simplistically lump together the objectives of reform as development of the economy and multiplying output value. In bending every effort to increase society's material wealth, they abandon other social development objectives like culture, education, and public health, ignoring the uplifting of the whole race's cultural level." (Issue 4, p. 27)

**It also said:** "The new enlightenment is also a movement for the popularization of Marxist theory, but not the Marxism that has been revised, distorted, coagulated, and debased." (Issue 4, pp. 27-28)

**An article titled "Bringing China Into the Modern Age and Modernization" said:** "The original enlightenment was an enlightenment for the purpose of completing the task of bringing China into the modern age; the new enlightenment is an enlightenment that is oriented toward modernization." (p. 30)

**It also said:** "I deem the urgent tasks of the moment to be as follows: First is the theoretical and actual negation of the supremacy of individual rights; second is the founding of an election system that both embodies the democratic spirit and is in keeping with the circumstances of China's people; third is the formation of public opinion institutions under protection of the legal system; fourth is establishment of advisory units that advance responsibilities, rights, and interests of science policies and that are relatively independent; and fifth is elimination of pernicious feudal influences in the tangible and intangible parts of the 'political machine.'"

In response to the question, "Since you do not approve of the statement that national salvation prevailed over enlightenment, what was the reason for the interruption of the May 4th enlightenment movement?," **the editor in chief of that collection said:**

"The naivete and the theoretical immaturity of some Marxists at that time. They wrongly denounced the emancipation of the individual, the awakening of the people, the self-awareness, the humanity, and the humanitarianism that the enlightenment espoused as being as incompatible as fire and water, and as being positively incompatible with the reactionary ideology of the bourgeoisie. To this day, similar views have not disappeared. For a long time, we have taken an evasive attitude toward discussions in Marxist works that pertain to individual self-development, self-awareness, humanity, and humanitarianism." (Issue 1, p. 11)

**The same editor in chief** specially added a long comment to this paragraph:

"I do not intend to elaborate the views of Qu Qiubai, et al., here. I intend to take Lu Xun as an example. Sometimes, an example that is least typical may be able to explain a problem better. If this feature can be expressed in the person of Lu Xun, there will be no need to provide other examples. Beginning with his *Hesitation Anthology*, Lu Xun piously accepted the influence of Qu Qiubai, whom he regarded as the party theoretician. During this period, quite a few of his writings conveyed, in a certain sense, the coloration of literature written in obedience to commands. For example, his criticism of the third kind of people left such traces with regard to the controversy over literary and artistic freedom and analysis of class nature, as well as toward mass language and the romanization of Chinese characters, etc. It was not until just before he died that he began to detach himself from the leftist trend of thought to demonstrate a rise to a new and higher level of spirit that differed from the limits since the writing of *Hesitation Anthology*. His last published articles, "'My First Master,' 'Women Mourning,' 'Death,' and 'Kaisui Alehuizhi [0418 4840 7093 0519 1920 2388] Print Collection Prologue,' were both gloomy and meaningful." (Issue 1, pp. 27-28)

**The same editor said** in replying to the basic reasons for the "interruption" of the May 4th Movement that, "at that time some Marxists were very greatly influenced by debased Soviet mechanistic theories of socialism and the ultraleftist trend of thought of Japanese Fukumotoism. The prejudices inherent in traditional culture, plus the effects of specious theories that spread to China played a dual role. That this state of affairs shaped the theoretical naivete and the immature ideology of some Marxists at the time should not seem odd. I believe these were major reasons for the interruption of the May 4th Movement." (Issue 1, pp. 12-13)

**Tong Dalin said:** "The so-called emancipation of thought maintains that whether any ideology or point of view, or any policy or method is correct or true depends not on who said it, in what book it was written, or whether it is authoritative or classic, but rather its success or failure, gain or loss in practice. This means that it depends on whether it helps advance social progress, the development of science, the flourishing of the economy, and the wealth of the whole people." (Issue 1, p. 2)

**He also said:** "Authors and artists and scholars in many specialized fields (including futurology specialists) are working to link closely practical experience with theoretical study. During the past 10 years, they have proposed quite a few new points of view, new concepts, and new theories, which have made an outstanding contribution to theoretical and academic study of reform and opening to the outside world. They are worthy of the name of a new force in the international theoretical and academic field." (Issue 1, p. 1)

**He also said:** "In the course of major reforms, in the course of great changes, in the course of major changes in the course of events, in the course of mankind's future historical progress, future generations and every people and nation in China and the world will have to first emancipate their thinking, update their ideas, and establish a new age ideology if they are to exist and develop. Therefore, we can predict that the new movement for the emancipation of thinking that has just begun will compare favorably with Europe's Renaissance and France's Enlightenment, and that it will certainly greatly surpass it in having unparalleled historical significance." (Issue 1, p. 8)

**Ruan Ming said:** "In order for China to realize a sense of human subjective cultural awareness, it will have to completely root out the new cultural enlightenment movement of feudal cultural despotism. The first great cultural enlightenment movement of the May 4th Movement 70 years ago took the first steps in opposing feudal cultural despotism, raising the banner of democracy and science. During that era of fire and blood, it made important contributions in awakening the public and in rescuing the nation from peril. However, its historical mission of cultural enlightenment is far from finished. Today, China has finally left the era of fire and blood and has begun a new move in the direction of a modern commodity economy and modern democratic politics. This is a fundamental change from the economic foundation to the superstructure that requires a new cultural enlightenment movement. It is even more profound and broader than the first May 4th Movement in bringing about a renewal of the outlook of the whole nation, completely throwing off the traditional shackles of feudal despotism, and arousing the subjective cultural awareness of every Chinese." (Issue 1, pp. 60-61)

## II. The Intellectuals Issue

**Shao Yanxiang said:** "Ever since former U.S. Secretary of State Dean Acheson raised the concept of 'democratic individualism' in a white paper, China's intellectuals have been confounded: Since individualism is antithetical to proletarian collectivism and part of the bourgeois ideological system, it is an unpardonable crime in China. In addition, not only is democracy linked to bourgeois ideology, it has even more directly become a stock in trade in the service of imperialism." (Issue 4, p. 16)

**Ruan Ming said:** "The era in which in which the intellectuals serve as a 'hair' attached to the 'skin' must be brought to a close." (Issue 1, p. 61)

**He also said:** "The time when China's intellectuals fully shed their long historical position of dependence to become true masters has arrived. The important thing is the awakening of subjective self-awareness, surmounting traditional dependence concepts and a waiting psychology for a courageous shouldering of the responsibilities of the age, sounding the bugle of a new cultural enlightenment movement." (Issue 1, p. 61)

**Liu Xiaobo said:** "But in China, the tone used to gain freedom, particularly the tone of the intellectuals, has always had a beseeching quality. It is not an effort to win the freedom that one is entitled to, but rather is begging superiors for freedom. This is because rights and responsibilities as the Chinese understand them are not inherent in everyone; consequently, they are doomed to wait to have them bestowed... Furthermore, the Chinese, particularly the intellectuals, not only do not reject such bestowers, but shed tears for them and urge their bounty. Not only do they feel no humiliation for this behavior, but rather they feel proud and heap praise, issue resolves, issue oaths, and shed copious tears of gratitude for the bestowal. To hear beseeching voices in the slogans shouted to gain freedom is truly a great irony. One can imagine a person kneeling before the emperor and begging for freedom. Are the favors that the emperor bestows freedom? Can a person who kneels to beg for freedom be free? For many years the Chinese have been kneeling to beg for freedom." (Issue 1, p. 76)

**An article titled "On the Intellectuals' Independent Personality" said:** "Intellectuals must have an independent personality. This includes the following three aspects:

"1. Conceptually, self-need should be the standard. This is to say that the primary motivation for their conduct should not take any external need into consideration, but rather be prompted by their own self-interest...

"2. In mode of thought, they should maintain scientific individual reason. When truth and religious beliefs differ, they should reject all outside spiritual authority and rely only on their individual scientific reason. Such scientific reason will enable the intellectuals to possess full ability to make their own analysis of facts and value judgments, and to depend on their own reason to make personal choices, thereby ensuring the true realization of inner freedom.

"3. In their mode of action, they should be imbued with a spirit of social judgment. The truth that the reason of intellectuals maintains should not just halt at the world of their innermost being, but must become externalized as personal social practice. They must have the courage to bear the social responsibilities that intuitive choices are bound to produce. When they participate in social or political decisions, they should adhere to their own special standards without dependence on any political group... They should adopt a transcendental posture to maintain a clear and calm spirit of social judgment." (Issue 1, pp. 78-79)

**He also said:** "...Inasmuch as an independent personality is not an individual necessity, but an external obligation of the race as a whole, its actual value descends from being a goal per se to being a kind of tool... Even a man like Lu Xun was perplexed and at a loss at times... but a people must continue to develop. In particular, it must stride into the modernization thicket and it cannot ignore the right to individual freedom.

"As China is about to enter the 1990's, possibly it is time that the intellectuals rid themselves of their contemporary lack of thoroughness and truly move in the direction of a modern, independent personality." (Issue 1, p. 85)

**He also said:** "Politically, intellectuals should also have an independent spirit of social judgment. This idea is becoming more and more acknowledged in Chinese theoretical circles today..." (Issue 1, p. 90)

**He also said:** "A century ago, China began a national awakening, but contemporary China needs an individual awakening even more. The intellectuals should become the persons of foresight among the entire citizenry. An independent personality is the inevitable trend in the tide of modernization. People are born free. The omnipresent shackles must be broken, and certainly can be broken." (Issue 1, p. 91)

**He also said:** "As a 'cultural elite,' the intellectuals' mission is the pursuit of knowledge, the pursuit of truth, and maintenance of ultimate concern for nature, society, and the significance of human knowledge, regarding their own quest for knowledge as an independent and unrestrained mission that is not subordinate to any other endeavor." (Issue 1, p. 86)

**He also said:** "The intellectuals' participation in politics is a participation that proceeds from their special position. They do not rely on any political power, nor do they become involved in the rights and wrongs of political interests. Rather, they take part in sociopolitical decisionmaking through a certain social opinion and theoretical doctrine." (Issue 1, p. 87)

**He also said:** "The ultimate concern of the intellectuals for society, mankind, and nature imbues them with a certain sense of being out in front, of never being able to satisfy everything extant in reality, and of sensitively capturing various externally appearing or latent irrational elements in society for serious examination and judgment..." (Issue 1, p. 87)

**Yu Haocheng said:** "...Freedom of literary and artistic creation still lacks special laws (such as press laws, publication laws, association laws, and demonstration laws) to provide genuine protection. Consequently, situations in which people are condemned for what they say cannot be said to have completely vanished. Situations involving the naming of names in closed meetings, and in for-official-use-only materials such as *Editorial Excerpts* are heard about from time to time. In short, the sword of Damocles is always suspended high above the heads of the broad masses of intellectuals, particularly the elite among them..." (Issue 3, pp. 8-9)

**He also said:** "Not long ago, a journalist whom I respect (*Note: meaning Ge Yang [2047 2254]—the author*) visited Bulgaria. He told me that while there she saw a documentary film titled *The Search for the Man Without Footprints*. The scene that began to appear on the screen was of people working hard excavating skeletons in a wasteland, carefully identifying them, and putting them

in one box after another. Then, the skulls and whiter bones in each container were washed... This event occurred in 1923. (*Note: indicating the effect of the USSR's socialist October Revolution on Eastern Europe—the author*). The king at that time was considered fairly enlightened, but the contradictions between the people and the ruling class were already intense. When the parliament convened, some people proposed suppression of the peasants, and some advocated suppression of the workers. Finally, the king decided to suppress the intellectuals, because the intellectuals had brains. By cutting off their heads, neither the workers nor the peasants would be able to cause trouble. A bloody slaughter began at once. Some of these patriots and national elite had long, thick ropes suddenly thrown around their necks at intersections while on their way home or in their studies, immediately forfeiting their lives. An intellectual somewhat along in years who received a hearing in court languished in jail without a word heard from him. Others wrote letters to the king asking that his execution be changed from strangulation to shooting, but this request was not approved. In the end, he met his death bravely... This journalist (*meaning Ge Yang—the author*) finally wrote: 'All of this is in the past.' It is just a historical bad dream, but in other countries, what is to be done about the spiritual strangulation that substitutes for physical strangulation?" (Issue 3, p. 23)

### III. Socialist Alienation, Class, Human Nature, Human Rights, and Democracy

**Wang Ruoshui said:** "Under certain conditions, human activities in a socialist society may dissimilate to become a force that sets people against each other and controls people. Some socialist systems that have been created by people may conversely shackle productivity and shackle human development; thus they should be reformed. What is wrong with this? Is this a negation of socialism?" (Issue 4, p. 66)

**He also said:** "Our raising the issue of alienation under socialist conditions is positive rather than negative. It is not just an investigation of responsibility or a condemnation, but is rather a desire to study historical experience and to explore reform theories from the heights of Marxist philosophy." (Issue 4, p. 68)

**He also said:** "We are still in the preliminary stage of socialism (that is, the preliminary stage of the preliminary stage). Socialism has yet to develop a commodity economy. A commodity economy will produce a 'commodity fetishism' that, like religion in the ideological field, is an alienation." (Issue 4, p. 61)

**He also said:** "I believe that in socialist society alienation is not completely unavoidable, because the conditions that produce alienation still exist." (Issue 4, p. 64)

(*Note: The complete text of this Wang Ruoshui article is a refutation of the views of Comrade Hu Qiaomu's article—the author*)

The article titled "Speak Up for 'Enlightenment'" said: "The so-called 'human rights' issue is actually an alienation issue. The grammar of the term 'human rights' is at least poor grammar if not ungrammatical." (Issue 4, p. 70)

He also said: "Being a man and having to struggle for human rights is itself a mark of alienation. At the same time, a mark of alienation is also wrong—that is, it is the mark of a condition that makes people become lacking in rights and power." (Issue 4, p. 70)

He also said: "Jean Jacques Rousseau's democratic thought led to the terror of the French Revolution, and Martin Haidegger's liberal philosophy did not prevent him from taking the Fascist road. Marx's doctrine of the dictatorship of the proletariat became, in practice, Stalin's proletariat-led large scale bloody suppression. Jean Paul Sartre's big talk about free existentialism did not preclude his praise of Stalin, Mao Zedong and China's 'Great Cultural Revolution.'" (Issue 4, p. 75)

He also said: "Behind this common practice, the so-called 'opening the back door,' were the origins of profound social and political alienation." (Issue 4, p. 83)

He also said: "Alienation as an attribute of human relationship structures... is bound to sprout and bound to perish on a certain foundation of productivity. At the same time, with the elevation and change of this foundation, social phenomena appear in a new form." (Issue 4, p. 85)

He also said: "Under the rule of Hitler and Stalin, there was only wild adoration without knowing what was being adored. The nation, the state, the collective, classes, policies, and the individual made no difference. Everyone considered his own position to be low; thus, it was necessary to accept the leader and ideological education. The higher the leader's rank, the more correct he was, and the supreme leader was absolute truth. However, only through obedience and prostration could one gain meaning and value for one's own life." (Issue 4, p. 96)

An article titled "Complete Westernization and Complete Sovietization" said: "People trying to write the history of the Great Cultural Revolution and people suggesting the establishment of a Cultural Revolution museum became virtually a thorn in the side of some people. Wasn't it all too clear just what they were guarding against?" (Issue 4, p. 113)

Wang Ruoshui said: "We used to regard class as a subject beyond criticism and above logic that embraced everything and took the place of everything. We believed that it was omnipresent, and that no one could escape its stamp from birth until death. Today, we feel that when some articles discuss 'tradition,' they seem to have this same tendency. I do not approve of 'class theory' that is beyond criticism and logic, nor do I approve of 'tradition theory' that is beyond criticism and logic." (Issue 1, p. 19)

Ruan Rui said: "In 1960, China published three articles, one of which was 'Long Live Leninism.' These articles halted their assessment of the age at the time of Lenin more than half a century ago. The handling of a series of guiding policies on international and domestic questions such as 'antirevisionism and prevention of revisionism,' 'dig tunnels deep to store grain everywhere,' 'the need to prepare for war,' 'taking class struggle as the key link,' 'continuous revolution under the dictatorship of the proletariat,' and so forth, is indistinguishable from just such an ossified assessment of the age." (Issue 1, p. 33)

He also said: "If the whole world's annual military expenditures of \$900 billion were to be spent on education, and the several tens of millions of members of the world's armed forces were to be trained as educated workers, human society would become much smarter, freer, and more secure. This is not the daydream of kindhearted pacifists, but a historical necessity of a new age of productivity." (Issue 1, p. 37)

He also said: "The age of ideological and cultural despotism requiring 'uniformity of public opinion,' or 'greatly centralized' political power is over. Hitler-style fascism, capitalism, or Russian tsarist-style socialism can no longer advance modern economic, scientific, and cultural development. They can only be new shackles on productivity." (Issue 1, p. 38)

He also said: "World politics has reached a turning point: The material foundation for a convergence of the course of history and democratic goals has been laid. No 'great' dictator can block mankind's historical advance toward democracy, freedom, and openness." (Issue 1, p. 38)

Wang Ruoshui said: "Alienation should be a main theme of contemporary literature." "I believe... there should be a realistic depiction of how literary personages lost their identity, a depiction of how their humanity was repressed and distorted, and a depiction of how they were alienated, to be used to express criticism of and resistance to alienation to awaken people's subjective consciousness." (Issue 2, pp. 18-19)

He also said: "Confucius understood only 'self-denial for the restoration of propriety,' but modern Chinese need 'denial of propriety for the restoration of self,' meaning the destruction of the feudalistic old order and old doctrines for the establishment of the importance and independence of people, the emancipation of individuality, the affirmation of human rights, and the building of a new order and new doctrines." (Issue 2, pp. 17-18)

He also said: "In such a society (*Note: meaning China's socialist society—the author*) administrative authority is given close attention and a person's value is frequently decided on the basis of his or her rank for the creation of an 'official standard' society... During times when the cult of the individual is in vogue, the individual's importance and independence are even more denied." (Issue 2, pp. 17-18)



**Li Honglin said:** "One frequently hears 'Work at building the two civilizations at the same time,' or 'use one hand to build material civilization and the other hand to build spiritual civilization.' What about democracy?... but people have only two hands. If one hand is busy with material civilization and the other hand is busy with spiritual civilization, where should democracy be put?" (Issue 2, p. 57)

**Yu Haocheng said:** "Some of our people close their eyes, refusing to acknowledge the facts by saying that there is no human rights problem at all in China... saying that human rights is not a slogan of the proletariat but a slogan of the bourgeoisie. Later on, for a time in 1983 a tide of large-scale and special criticism of humanitarianism occurred. In short, every word with the word human in it such as human individuality, human personality, human rights, and humanitarianism is treated as a patented product of the bourgeoisie and handed on a silver platter to the bourgeoisie. This is completely wrong and confused from a theoretical standpoint, and extremely damaging politically." (Issue 3, p. 11)

**He also said:** "The 40th anniversary of the UN 'Declaration on Human Rights' will be marked on 10 December this year (*Note: 1988—the author*). For the past several years, our delegates to the United Nations or other international meetings have always been evasive when human rights have been discussed. They have always turned passive as though justice were not on their side." (Issue 3, pp. 11-12)

**He also said:** "What are human rights? Human rights are the rights of people without regard to race, ethnic origin, religion, nationality, sex, or age distinctions, and so on, and particularly class distinctions. They include everyone; they are universal..." (Issue 3, p. 12)

**He also said:** "Just as some people do not admit the universality of human nature, neither do they acknowledge the universality of human rights that includes all people. Such people frequently quote the following passage from Mao Zedong's *Talks at the Yanan Forum on Literature and Art* as a basis for their position: 'Is there such a thing as human nature? Of course, but there is only concrete human nature; there is no abstract human nature. In a class society, there is only human nature of a class character; there is no human nature that transcends class.' Actually, Mao Zedong himself said in a 10 October 1937 letter to Lei Jingtian that Huang Kegong's shooting to death of Liu Xi was a 'loss of the party's standpoint,' a loss of the revolutionary standpoint, and a loss of the human standpoint." (Issue 3, pp. 12-13)

**He also said:** "Freedom of the press should become one of the breakthrough points in reform of China's political system. This is because the goal of political system reform is the democratization of national political life. Democracy is, as its name implies, the people being masters. If the people do not even have the right to speak, how can one talk about their being the masters? The people's right to speak, right to discuss politics, and

right to criticize and supervise government should be protected by law today; thus, it is necessary to draw up at once news laws and publication laws. Without such laws, the party's 'double hundred' policy [the policy of letting a hundred flowers blossom and a hundred schools of thought contend] is not enough. This is because policies and plans are very flexible and subject to different interpretations." (Issue 3, p. 21)

**He also said:** "Common sense tells us that the instruments of public opinion must be free from supervisors and independent; otherwise, the people can have no true freedom of speech and of the press whereby the people's right to be informed, right to discuss politics, and right to supervise government can be assured. Not permitting the publication of non-governmental newspapers means that the supervised do not permit the supervisors to supervise them. This is to turn completely upside down the relationship between masters and public servants." (Issue 3, p. 22)

**The article titled "Complete Westernization and Complete Sovietization" said:** "Virtually none of the furnishings in their homes or their transportation vehicles are state property. They are completely Westernized, but they wear a large queue on the back of their heads like Mr. Yang Guangxian, and in matters pertaining to dictatorship law, expansion of class struggle, trampling democracy and scorning the rule of law, and obscurantist policies, they happily 'lean to one side,' becoming almost 'completely sovietized.'" (Issue 4, p. 109)

**He also said:** "Neither the soil nor conditions for complete Westernization exist in China in an economic, political, system, ideological, or cultural sense. Imagine that during the past several years, some people have even regarded 'elections,' 'opinion sampling,' 'mergers,' 'time is money,' 'commodity economy,' and 'alienation' as forbidden words and forbidden zones. Even the common wealth of civilization developed by human society (except for 'speeding automobiles,' etc.) have been regarded as enemies, so is not democratic government out of the question? Are not freedom of speech, creativity, and academic freedom out of the question?" (Issue 4, p. 113)

#### IV. On Marxist Sinicization

**Jin Guantao said:** "...During the 1930's, with an increasingly large number of Chinese intellectuals joining the Communist Party of China to pursue the goal of resistance to Japan for national salvation, China's contemporary Marxist ideology underwent major changes. This was a process of the sinicization of Marxism." (Issue 2, p. 25)

**He also said:** "Among the classic contributions of Marxism-Leninism, one thing that has never been given great emphasis in the transformation of society is the need for self-transformation. Use of the correlation between self-transformation and the transformation of

society to expound the need for Communist Party members to undertake self-cultivation as a theoretical underpinning was a creation of Liu Shaoqi. With this, Liu Shaoqi discovered a point of confluence linking the Confucian doctrinal structure to Marxism." (Issue 2, p. 27)

**He also said:** "Thus, when Liu Shaoqi steered clear of knowledge, theory, and methods, pointing out only the need to 'use magnificent Marxism-Leninism' to initiate a person's lifelong words and actions, endeavors, and quality, making it a model for our tempering and self-cultivation, he blazed an unprecedented trail in the historical development of Marxism for the future sinicization of Marxism in a change from truth-type knowledge to ethic-type knowledge." (Issue 2, pp. 27-28)

**He also said:** "This determination by Liu Shaoqi marked the first milestone in the sinicization of Marxism. It greatly shocked the innermost being of the intellectuals at that time, causing a subtle change in their attitude toward Marxism." (Issue 2, p. 29)

**He also said:** "...A completely sinicized Marxism will be bound to develop further in the direction of ethical idealism. This will permit the isomorphic result of ideological struggle and class struggle to change directly into further social goals that are 'sound in both theory and practice.' It is well known that the Confucian 'learning that is sound in both theory and practice' requires that every Confucian scholar practice self-cultivation in order to be able to 'rule the family,' 'administer the nation,' and 'tranquilize the empire.' More important, Confucius advocated reliance on ethical training for the realization of an ideal society... using proletarian ethical education to attain communism." (Issue 2, p. 33)

**Li Honglin said:** "A review of the more than 100-year history of Marxism shows that the socialist theories that Marx and Engels originally created have not been realized as they envisioned. In addition, the socialism that has been realized is not what the founders of Marxism envisioned, and it has been left behind in the economic race with capitalism. This state of affairs causes a wavering of confidence in countries that have established a socialist system. In other places, it has caused socialism to lose its appeal." (Issue 2, p. 42)

**Li Hongren believes:** China's distinctive socialist form (meaning socialism with Chinese characteristics) has the following three features: 1) A feudal tradition; 2) experience in armed struggle, linked to 3) ultraleftist tendencies. He pertinently proposes ideas for reform in three regards as follows:

A. In economic modernization, full development of a commodity economy that uses a market mechanism to regulate social production.

B. Democratization of politics, that is:

1. Widespread citizen participation in politics, the rule of law replacing the rule of man.

2. Legal protection for the personal rights and interests of citizens; no personal dependence, the independence and dignity of the individual to be generally acknowledged and respected.

C. in cultural modernization, improvement of the people's educational level, using a modern mentality in place of the traditional mentality. (Refer to Issue 2, p. 54)

**The article titled "Bringing China Into the Modern Age and Modernization" said:** The modernization of industry, agriculture, science and technology, and national defense' that our country has proposed is not that complete or accurate, nor will it withstand close theoretical scrutiny." (Issue 4, p. 30)

**Addendum:** Tables of Contents of Issues 5 and 6 of XIN QIMENG (neither of which was published)

XIN QIMENG, Issue 5—Further Understanding of Capitalism:

Yu Guangyuan [0060 0342 6678]: "On Various Basic Concepts of Socialism and Capitalism"

Su Shaozhi [5685 4801 2535]: "Further Understanding Capitalism"

Yu Haocheng: "Rights and Interests and the Law"

Yan Jiaqi [0917 1367 0366]: "On No Difference in Democracy East and West"

Jiang Yihua [1203 5030 5478]: "Criticism of Soviet Communist (Bolshevik) Party History"

Li Honglin: "The Third Challenge to the Traditional Personnel Mechanism"

Shao Yanxiang: "The Literary Inquisition Tradition in Modern Times"

Xu Chi [1776 6688]: "A Pondering in the Middle of the Night"

XIN QIMENG, Issue 6—In Commemoration of the 70th Anniversary of "May 4th":

Li Shu [7812 3412]: "New Culture and Traditional Culture"

Wang Yuanhua [3769 0337 0553]: "Enlightenment and the Awakening of Life"

Yu Haocheng: "Science, Democracy, the Rule of Law"

Wang Ruoshui: "Mr. Democracy, Confucius, and Mao Zedong"

Gu Zhun [7357 0402]: "Democracy and Pluralism"

Wang Jiaqi [3769 1367 0366]: "The Inspiration of Plymouth Rock"

## **Social, Economic Consequences of Equal Division of Farmland**

91CM0081A Shanghai SHEHUI [SOCIETY] ·  
in Chinese No 10, 20 Oct 90 pp 13-15

[Article by Xu Qingshan (1776 7230 1472): "Equal Distribution of Land—Crises and Strategies"]

[Text] A key element of rural reform, the output-related system of contracted responsibility on the household basis, has played a critical role in energizing rural productive forces. But this system, which is based on land distribution, also has its down side. Is this writer being alarmist when he raises the issues in the article? It is hoped that it will give the reader some food for thought.

The achievements of the output-related system of contracted responsibility on the household basis, widely introduced in rural China in the 1980's, have attracted worldwide attention. Justifiably it is a landmark in China's history of rural development. However, we should see that in the course of social and economic development and change, particularly following the sharp rise in population and the rapid reduction in farmland, this responsibility system, the core of which is land division, is crisis-ridden and in a precarious state. Everywhere in the Chinese countryside one can hear about the conflicts and problems of the land distribution system all the time. To hear many village cadres tell it, the difficulties caused by land division have greatly exceeded those of birth control and have become the "number one problem under the sun." If we fail to pay it the attention it deserves and ignore and even cover up its numerous problems, we will certainly pin ourselves in a corner. So we must recognize the various crises of the system, whether obvious or burgeoning, and address them clear-headedly. Prevention being better than cure, we should waste no opportunity to take measures to deal with them to ensure long-term peace and stability in the countryside and steady agricultural development.

Based on my understanding of the situation in the Yiyang region, these are the major crises of equal distribution of land:

**1. There is no more land to divide in some places.** Equalization of land ownership and equal distribution of land has been the Chinese peasants' basic demand for thousands of years, which explains why when the output-related system of contracted responsibility on the household basis was introduced in the early 1980's, an overwhelming majority of places chose the format of land division almost inexorably. At the time this made sense. But equal distribution of land has become unsustainable in some places; it cannot go on. The reason is that the farmland in those places has become over-burdened. Peasants who have seen their land being divided now balk at the further distribution of what land they have, which is their lifeblood. The situation in Dongmei Village in Wushengguan Township is typical. There were 2,050 people in 413 households in this township. Its only land resources were 1,616 mu of paddy field, or 0.8 mu

per capita. The average annual total grain output for the past five years was about 17.09 million jin. Subtract 470,000 jin in state procurement and 100,000 jin of seeds, and you have only 550 jin per capita, including grain rations and fodder. Right now grain consumption among the rural population is one-quarter short on the average and more than half of the rural households are short of grain rations year after year. According to studies, this is the case in about one-fifth of the places in the Pinghu region and more than one-third of the places in the hills. A number of self-protective measures have been taken in these areas, often at the suggestion of a majority of the peasants, such as extending the contract period as much as possible and drawing up an agreement to be signed by all heads of households that will stabilize the current pattern of contracting. While some people do not like these practices, there are only so many households in any village that would increase in size in the near future, so they have no choice but to go along with a determined majority and sign the agreement. For households who have an extra mouth to feed in the days ahead, this is a grim challenge. In addition, most peasants in certain cash crop-producing areas have already grown year-round cash crops like tea, oranges, and tangerines on contract land. It would be very difficult to adjust their land.

**2. Land ownership became more and more unequal.** The long-term stability of the land contracting relationship has given peasants a sense of stability, which certainly helps increase investment in land and protect farmland. But there is one tricky issue in real life: protecting the livelihood of the newly increased population. Several years ago, many localities, in accordance with the spirit of the relevant CPC Central Committee documents, entered into agreements with peasants stipulating land contract periods ranging from 10 to 15 years and even longer (in wooded mountains, for instance). The years came and went and both household size and structure have changed. What was one household a few years back has now become several households, with household size doubling or even quadrupling. Meanwhile, the contract cultivated area remains that for one or two people. In contrast, a few households experienced a sharp decline in population. The upshot: more and more unequal land ownership. Take Wushengguan Township in Nan County, for example. It had 1,024 more households in the past eight years, of which 436 households, or 42.5 percent, have not received contract land thus far because the contract period has not yet expired. The 1,330 people in these households call themselves "China's black-market citizens." In many peasant households, several people work contract land meant for one or two people, eking out a living on meager incomes. To solve this problem, many localities have taken land from households that have decreased in size to give them to households that have increased in size and they have manipulated the waiting list. In the final analysis, however, the fact is that more households have increased in size than have decreased. Some have been on the waiting list for years and are still waiting for a plot of contract land. In

most cases, there is no assurance for the livelihood of the newly increased population. In many villages, there are still seven to eight years to go on the contract period. In a few cases, it is even permanent. How to provide a means of livelihood for the newly increased population? That has become a thorny social problem in Chinese villages today.

**3. With the endless fragmentation of land, productive forces are declining and being wasted.** When the land contract period runs too long, the newly increased population will have livelihood problems. When the land contract period is too short, it will lead to a decline in productive forces. After eight or nine years of land division, many villages have divided their farmland five or six times, carving it up like pieces of tofu. The more they divide, the smaller the plots. According to a study in Xinhua Township in Yuanjiang City, for instance, each household had 10 mu of cultivated land in four or five plots on the average when the equal distribution of land began. Today, it has only eight mu or so in seven to eight plots. There has been a widespread increase in land belonging to one production unit but enclosed in that of another, joint farmland, bamboo fields, and tofu-like plots. Farming has become increasingly difficult. The steadily shrinking scale of cultivation has not only caused agricultural productivity and the level of crop specialization to decline, but also the level of productive forces to slip. In places where farmland is shrinking and what farmland there is being cut up into smaller and smaller pieces, people do not even use farm cattle any more but are relying on hoes and harrows. Instead of using the water pump for irrigation and drainage, they have resorted to operating the waterwheel by hand. Some are even using wash basins and buckets to carry water. In the lake area where there is a tad more farmland, on the other hand, farm machinery and other capital goods are grossly wasted. Guofeng Village in Zimu Town in Yuanjiang City, for instance, comprises 216 households and 146 mu of cultivated land, yet boasts 139 pieces of tilling machinery and 180 small diesel engines with 840 horsepower in all. Their utilization rate is less than one-fifth on the average, fixed assets amount to a high 368 yuan per mu of farmland, and the idle rate is as high as 70 percent.

**4. The management of cultivated land lacks restraining mechanisms.** Prohibitions against illegal occupation and misuse of cultivated land are not being enforced. On the one hand, we are acutely short of cultivated land; the land crisis is getting worse by the day. On the other hand, peasants commonly occupy cultivated land illegally and misuse it. After the National Land Management law was promulgated and put into effect, governments and functional departments at all levels accordingly tightened land management. Nevertheless, as time went on under the land division system, the peasants' concept of land ownership became more and more fuzzy. Moreover, tens of thousands of households are still using the land as they please. It is still a common practice for peasants to take land illegally and use it improperly. The trend of diminishing farmland is still worrisome. According to data

made available by the regional Statistics Bureau, in the six years from 1981 to 1986, the region lost 240,000 mu of farmland, or 40,000 mu annually on the average, which translates into a per capita reduction of 0.12 mu among the agricultural population. Although the decline has slowed in the past three years, farmland is still shrinking at the rate of 12,000 mu every year. Everywhere you can see peasants building houses, firing bricks, burying their dead, and digging fish ponds on contract land and planting fruit trees in the fields. Meanwhile, the buying and selling of land is spreading. In addition, since land division is very much a measure of social welfare, everyone is given some land whether or not he needs the land or can work it; an inevitable result is predatory production and land abandonment. These problems are especially serious in the outskirts of townships and economically developed areas. According to a study of Yejiahe Village in Tianchengyuan Township in Yiyang County, 85 percent of the labor force has joined village enterprises or street factories in Yiyang City since 1985. Incomes from the secondary and tertiary industries account for over 75 percent of the village's total incomes each year. The contract land of at least 150 households, or over 188 mu, is in a state of abandonment or semi-abandonment.

**5. The various crises touched off by equal distribution of land are worsening by the day.** If they are allowed to continue unchecked, they may spawn a social crisis. Besides the difficulties mentioned above, equal distribution of land has also directly caused two other serious problems. First, despite the system, land is not distributed equally among the peasants. On the pretext that they do not have enough contract land, some peasant households refuse to pay agricultural taxes and a variety of charges. They refuse to turn over contract procurement grain or volunteer to work in irrigation or other tasks. This kind of peasant household is increasing year after year and its impact is considerable. Take the 20 villages in Wushengguan Township above, for instance. Of these villages, as many as 13 fell behind on the delivery of contract procurement grain and the payment of agricultural taxes, retained profits, and other fees in 1989. They owed 5.75 million kilograms of contract procurement grain, or 4.5 percent of the township's total, and 71,049 yuan in taxes and other fees, 9.5 percent of all taxes and fees payable by the township, up 1.5 percentage points over the preceding year. As many as 1,055 peasant households, or 17.1 percent, were behind with their grain delivery or payment. And the ratio is increasing at the rate of 2.1 percentage points each year. Village cadres want to make sure that grain and money due are collected and turned over to the higher authorities, but they are often rebuffed by the peasant households, get into arguments with them, and are even surrounded and beaten up. This is a major reason why most village cadres are restless these days and refuse to take on responsibilities and why grassroots work is a thankless task. If this problem is not resolved quickly, the flesh-and-blood ties between the party and the masses and the fish-and-water relationship between the

cadres and masses cannot be restored and furthered. Second, civil disputes arising from fights over land, fields, and forests have been increasing day by day. The crop management and irrigation and drainage of joint farmland as well as land owned by one production unit but enclosed in that of another is fraught with difficulty. Bitter arguments over the adjustment of farmland are another principal source of civil disputes. In Jiutiaolong Village in Xiangpulong Township, a struggle dragged on for five years over a small plot of land, less than 0.6 mu in area. Boundaries, irrigation works, and crop management were all bones of contention. There were several scuffles. One person was injured and another was convicted. And for four whole years the plot of land lay idle. According to statistics from the police substation and court in Lianzitang Township in Yuanjiang City, there were 112 cases in the township in 1989 alone which arose from disputes over contract land and required investigation by the judicial department. Five people were hospitalized and five taken into administrative custody. Even more numerous were cases in which people took one another to court over unequal distribution of contract land. It can thus be seen that the worsening inequalities in land division have now become a principal cause of social instability.

Needless to say, equal distribution of land today has far more problems than what we have mentioned thus far. We can say that the equal distribution of land, which had been a phenomenal success in China's history, is in a serious crisis these days because of a soaring population. In my opinion, all of us, from the central government at the top to party organs and governments at all levels, should make the problem a priority and face up to it, working hard to find a solution in the interests of the long-term stability and development of the rural socialist economy. It should also be pointed out here that the writer is merely referring to one specific format of contracting: land division based on population. In no way is he repudiating the format of household management. There is absolutely no doubt that the output-related system of contracted responsibility on the household basis is entirely compatible with the level of productive forces in China at the present stage and should be maintained for the long term. What we are addressing here is the issue of improving and reforming land distribution.

According to my studies and research, it seems that we may adopt the following strategies at the present moment:

**First, conduct socialist education at a deeper level to enhance the peasants' sense of the public ownership of land and improve land management in earnest.** Actually, the transition from the centralized management of the era of the people's commune to the current two-level management combining centralization with division is but a change in the organization of productive labor within the socialist agricultural collective economy. So it follows that both household contract management and other forms of contract management operate on the basis

of the public ownership of land. This is one point which should be made clear at all times. However, more and more peasants have become confused about the notion that land is still under collective ownership. The "collective," too, has ceased to exist except in name; it is not working as it should. The reason is that when they introduced contracting, many places were less than meticulous and consistent in their work. In particular, they failed to distinguish clearly between land ownership and land management. As time passed and land was endlessly subdivided, the illegal occupation and misuse of land continued apace, along with its buying and selling, despite repeated efforts to stop them. It is necessary, therefore, to educate the peasants systematically in socialism, instilling in them a solid sense of public ownership of land and making them understand clearly that the land they contract for is still owned by the collective (village or group), that peasant households have only management rights, and that the collective has a range of statutory powers, including the power to adjust and take back land and to mete out punishment. When peasants are thus educated, we can then carefully investigate cases in which land was damaged, bought and sold, and misused so as to overhaul their thinking completely in both theory and practice. At the same time, we should further improve the contract management and requisitioning management of land contracting. Given the current state of land utilization, there is every need to tighten the management of land contracting and further clarify the responsibilities, rights, and interests of both parties in a contracting relationship. Provided he complies with a contract, a peasant has the right to manage the land on his own. If he violates the contract, the villagers committee is authorized to take back his land or adjust it. It is also the obligation and responsibility of the village committees to resolve the problems surrounding joint farmland, land owned by one production unit but enclosed in that of another, and irrigation works, and to provide appropriate basic services. In addition, the management of requisitioned land must be improved to put an end to the illegal occupation and misuse of land in earnest.

**Second, send cadres to the grassroots to help solve the various conflicts and problems of land division that have piled up over the years.** In the past few years, we have confused equal distribution of land with the output-related system of contracted responsibility on the household basis and have blindly emphasized its superficial stability. We put off solving problems or sidestepped them as long as possible. Over time the problems have multiplied and gotten worse and worse. We have now reached a point at which they must be addressed. Since the problems of land division are so complex and have so much to do with policies, the corresponding ideological and political work is equally arduous. We cannot rely on township and village cadres to assume the burden alone. There are too few township cadres, for one thing, and they are widely scattered. Already weighed down with responsibilities, they would have difficulty concentrating their energies on the problems. As for village cadres, they

often cannot handle a case impartially because their own interests or those of friends and relatives are at stake. Accordingly, it would be advisable to send party and government cadres to the countryside in accordance with the spirit of the decision of the Sixth Plenary Session of the 13th CPC Central Committee. The cadres should tackle their responsibility as a priority and help peasants mediate their disputes. This is what the masses of peasants and grassroots cadres demand eagerly.

**Third, work hard to find new methods to stop the endless fragmentation of land.** Already the scale of family management is very small. If subdivision continues, the consequences in due course would be disastrous.

A precondition for checking endless land fragmentation is ensuring the livelihood of the newly increased population and providing job opportunities for new entrants to the labor force. We may consider taking the following practical measures: 1) Increase the grain without touching the land. Instead of giving them land, the newly legally increased population may be supplied with low-priced grain in accordance with a method borrowed from urban areas. Each year the collective (village or group) supplies a specified amount of low-priced grain. The amount of grain required is shared fairly among the existing distribution of paddy fields and shall be adjusted annually. While more grain is collected from the peasants, the land is left untouched. The grain is collected and distributed by the collective. This measure gives the newly increased population a stable means of subsistence and also stabilizes the present pattern of contracting. Essential to its success are the following: First, eradicate the above-mentioned problems piled up over the years. Second, lay down a time when it begins and when it ends. Third, delimit the scope clearly. Enforce the system strictly in order to create a climate. 2) Establish a job fund to develop new industries to create job opportunities for new entrants to the labor force. Although it is difficult to change jobs at present, there are still channels of employment. Possibilities include starting new lines of agriculture, processing agricultural products, and joining the service sector. One major constraint is fund shortages. By himself, an individual has only limited resources, while the collective has not gotten its act together. Over the years all that new entrants to the labor force have done is fight back and forth over the existing farmland, with no way out. This being the case, there is an urgent need for us to set up a township-based job fund for new members of the labor force. (Villages with the necessary wherewithal can also establish job funds.) The sources of funding may include the following: First, set aside a portion of the incomes of the collective. Second, tax the existing land at a set rate. This could be an important source of funding. For example, in some areas that produce oranges, tangerines, and other cash crops, the land cannot be readily adjusted but it is very profitable, with each mu generating over 2,000 yuan in income. It is entirely possible to take some of that money and put it in the job fund. Third, collect a contracting fee (or leasing fee) from contract land

returned by peasant households that have decreased in size. Fourth, another source is live labor accumulation. Develop barren hills and lakes and deserted sandbars. Offer labor in return for money. Provided we work diligently and improve the system, most places will be able to raise a substantial sum of money in three to five years. The money should be used to develop new lines of agriculture and secondary and tertiary industries suited to local conditions, thereby providing jobs for new entrants to the labor force. 3) Gradually implement a "two-land" system and end land division. Under a "two-land" system, land that was previously distributed equally according to population will be divided into grain land and responsibility land. The latter will not be contracted according to population; instead, contracting fees may be determined depending on the value of land in each locality. In a locality with a good amount of land and extensive procurement responsibilities, the comparative advantage of farming is low, so the contracting fee may be adjusted downward as appropriate, while the burden on grain land may be increased. The idea is to allow people who contract responsibility land to make a profit and encourage them to bid as contractors. In economically developed areas where farming is not the primary source of income, on the other hand, we should take the necessary administrative as well as economic and legal steps to let some peasants contract only grain land, at the same time steering other land into the hands of people who are good at farming in accordance with the law of value. There is one other most important measure, namely, strict birth control. Today many people in the villages are having children beyond the official limit, resulting in a ballooning "black market population." Firm measures must be taken promptly to bring down the rate of population growth and do everything possible to ease the enormous population pressures on the land.

### Characteristics of Crimes by Legal Persons

91CM0196A Beijing FAZHI RIBAO in Chinese  
13 Dec 90 p 3

[Article by Liu Baibi (0491 4101 4581), Li Kuisheng (2621 1145 3932): "Characteristics of Crimes Currently Committed by Legal Persons"]

[Text] First, the oncoming force is rampant. Currently, crimes committed by legal persons in China are manifested primarily as economic sabotage. In the early period after liberation and during the 1950's and 1960's, there were very few crimes committed by legal persons. Only a handful of enterprises and business units committed crimes, engaging in shoddy work using inferior materials, engaging in forgery, or evading or refusing to pay taxes. In recent years, following the speedy development of the commodity economy, "companies," "centers," and "commercial firms" have emerged in great numbers. While playing their main role of promoting production and developing the economy, some representatives of legal persons have violated legal persons' organizational rules and state decrees. They sought illegal benefits for "small groups" within legal persons by

using the legal persons' names. Criminal activities have increased at an alarming rate. By 1985, the number of smuggling cases carried out by enterprises and business units that were detected by customs increased tremendously, to more than 2,000. Some of them constituted crimes. In 1988, the national supervisory organization alone transferred 60 cases to judicial departments for them to handle; these cases involved speculation and profiteering committed by organizations, groups, and enterprise business units. Within four months, procuratorial organizations prosecuted 206 cases in which units had engaged in speculation and profiteering. In the same year, 4,479 cases of evading or refusing to pay taxes were established for investigation, which was more than a 30-fold increase over 1980's number. Of these, 792 cases were considered significant or extraordinarily serious. If we include all other kinds of criminal cases committed by legal persons in 1988, the number of cases is several dozen times the number during the early period after liberation.

Second, many legal persons do not separate government and commerce. A large proportion of them conduct business using their positions in the government, their power, special privileges, and their "relationship network." An analysis of 88 criminal cases committed by legal persons showed that 61 of them involved general industrial and commercial enterprises and business units. Out of these, 42 cases involved using officials, official authority, official positions, official funds, or official relationships to engage in illegal activities. Also, 27 cases concerned crimes of using official privileges and official relationships for smuggling, purchasing funds through illegal processes, swindling, evading or refusing to pay taxes, or forgery. They constituted more than 30 percent of all crimes. Over 60 percent of the speculation and profiteering cases committed by legal persons belonged in this category. These are the outstanding characteristics of crimes committed by legal persons in China.

Third, legal persons have great ability to commit crimes. Some enterprise business units, organizations, and groups used various favorable conditions to use their authority to do a lot of business. They monopolized the trading of businesses and relationships to a great extent. When they wanted money, they received money, and even obtained funds from state banks illegally. They have abundant capital, great connections, strong backing, well-known trademarks, good reputation, broad influence, many ways and means, and are engaged in numerous activities. They have large staffs and can stir up strong winds, whip up big waves, commit large crimes, and make big money. They even use party, government, enterprise, and business organizations to plan and commit crimes collectively.

Fourth, legal persons who commit crimes have very deceitful natures. They succeed easily without being detected. In general they do things according to the law and that are outwardly legal. Some of them even cover

up their lawbreaking and crimes by representing organizations, groups, state-owned units, and collective organizations and using the pretext of carrying out active reforms and opening up. Quite a few of the crimes committed are by organizations, groups, and units that are in charge of policies and executing laws. They have ways and means of covering up their crimes and countering investigation measures. Frequently, they say that they are working for the benefit of their collective unit and that they do not work "for their own benefit and do not commit crimes." They also say that "they are for the public and do not commit crimes." They have strong backgrounds, an extensive network of connections, and a thick layer of protection. Therefore, many crimes committed by legal persons are not easily detected or exposed. Even if they are exposed, the investigation encounters obstacles and the case is difficult to clear up and handle.

Fifth, legal persons commit crimes in many new and clever ways. Quite a few legal persons, because of their technical and professional specialties, avail themselves of loopholes in laws and policies and try to evade legal sanctions by every possible means. Very often, organizations, groups, and enterprise business units collaborate with each other; higher levels link up with lower levels; and legal persons on the mainland even conspire with ones overseas, "joining together to resist the state." Some of them engage in business under the pretext of joint ventures, using all forms of "companies," "centers," "business firms" as shields to carry out speculative and swindling activities. Some of them steal and copy technical blueprints to sell. Others forge or make use of bills of exchange, credit cards, negotiable securities, phony bills, or even computers, calculators, and modern scientific techniques to swindle or carry out larcenous criminal activities. It is also quite common to pretend to sign economic contracts or use blank or fake contracts. In recent years, almost half of all serious cases of swindling involved contracts. From 1985 to 1987, 15 serious cases of economic contract fraud were uncovered in Guangdong, each worth more than 1 million yuan, with the total worth close to 100 billion yuan. They obtained properties and other valuables worth almost 200 million yuan. Some other companies used contracts to swindle almost 10 billion yuan. From this, one can see legal persons are becoming increasingly resourceful in their criminal activities.

Sixth, legal persons' crimes have expanded from sabotaging the economic order to jeopardizing management of the social order, endangering public security, destroying environmental protection, and neglecting their duties. In the past, legal persons' crimes were often limited to tax evasion, refusing to pay taxes, falsifying trademarks, smuggling, purchasing funds illegally, speculation, and profiteering. Following the unprecedented increase in the number of legal persons in recent years and the gradual prominence of passive factors, recently the scope of crimes committed by legal persons has gradually extended to using contracts for swindling,



offering and taking bribes, polluting the environment, manufacturing and selling phony drugs, making and selling obscene products, falsifying official document seals, as well as being responsible for important accidents. They also cut forests at random, destroy aquatic and mineral resources, neglect their duties, shield criminals, and embezzle public funds and property. They corrupt, steal, extort and blackmail, and falsify patents. They have become the most dangerous type of criminal threat to society.

Seventh, there is an increase in crimes committed by legal persons that extend across regions, provinces, municipalities, or even across the straits. Since the number of jointly-run businesses and cooperative activities increases daily, especially the number of activities dealing with foreign economic affairs, legal persons have an opportunity to commit crimes across a broader area and across national boundaries. Speculation, profiteering, and producing imitations are also committed in other provinces and municipalities. Smuggling, deceiving, purchasing funds illegally, resisting turning over funds, and offering and taking bribes are all criminal activities committed across the straits and across national boundaries. This grows more serious each day, and has become one of the important forms of crimes committed by legal persons.

Eighth, legal persons often collaborate with ordinary criminals to commit crimes, which confuses public opinion. Crimes committed by ordinary individuals who collaborate with legal persons, or by ordinary individuals who have established "companies" or "centers" to operate illegal activities, are also increasingly prominent.

### **Rural Health Care Program Upgraded**

*HK1302020391 Beijing CHINA DAILY in English  
13 Feb 91 p 3*

[By staff reporter Zhu Baoxia]

[Text] China's 800 million rural dwellers should have sufficient numbers of doctors and adequate medical supplies by the year 2000, thanks to a comprehensive programme to provide rural people with medical training.

The State is to enrol more rural students into medical institutes at all levels in the coming decade to boost the rural health force and improve the quality of medical services in the vast countryside.

Under the new programme, around 800,000 rural young people are likely to receive systematic education in higher and secondary medical institutes in the coming years and to be assigned jobs in the countryside on graduation.

In addition, professional training will be provided for at least 80 percent of the rural doctors over the next ten years until they reach the standard set by the State.

At present, the country has about 1.7 million medical personnel working in hospitals and clinics below county level.

Meanwhile, Minister of Public Health Chen Minzhang has appealed to local governments to increase their budgets for medical education and training, and to improve welfare aid for rural medical staff.

Investigations have shown that the shortage of qualified doctors is one of the major headaches for farmers in China.

Most of the graduates from higher-learning and secondary medical schools are reluctant to work in the countryside because of the poor living and working conditions including the inadequate welfare treatment available there.

Surveys indicate that 92.5 percent of the students who graduated from higher-learning medical institutes across the country between 1985 and 1987 found jobs in cities. The rest were assigned to work in hospitals below county level.

At present, there is just one doctor per 1,700 rural dwellers. In the cities, the ratio is one doctor to around 425 people.

Around 22 percent of the college graduates who were assigned jobs in grassroots units below county level in 1986 and 1987 have either moved to cities or have transferred to other jobs.

A survey conducted among college graduates who are still working in county hospitals in Henan Province showed that 40.6 percent of them were not satisfied with their work as rural doctors. The rate for those working in clinics below county level can be as high as 100 percent.

In Guizhou Province, most of the graduates assigned to rural areas in the 1960s have moved out.

Training farmers to become medical personnel seems the best solution in the present circumstances.

Secondary medical schools in Jiangsu province enrolled 10,032 rural students between 1983 and last year, and all 3,527 of the graduates have returned to their birthplaces to work in township hospitals and clinics.

The province introduced a new element to its system of secondary medical education in 1987.

Before a student is admitted to medical school, the students are required to sign agreements with their future employers—county and township health departments and hospitals—and the agreements are then notarized through legal process.

Of the 650 yuan annual tuition fee, two-thirds is paid by the students' families and the other third by the future employer.

After graduation, they are assigned jobs in their respective township hospitals.

### **Better Pay, Training Sought for Rural Teachers**

*HK0902030291 Beijing CHINA DAILY in English  
9 Feb 91 p 3*

[By staff reporter Zhang Lin]

[Text] China plans to transfer more of the country's primary and middle school teachers onto the government payroll while raising not only the number but also the quality of these teachers.

There are presently three million teachers, mainly in rural areas and not on the government pay role, who account for about 30 percent of the total number of primary and middle school teachers in China.

China's baby boom and the fact that most normal schools enrolled no students during the "cultural revolution" has contributed to the sharp rise in teachers not on the government payroll. Their pay used to be mainly from the communes or towns, which usually levied the funds from the peasants.

These teachers have played a key role in solving the acute problem of the shortage of teachers, especially in the rural areas.

These teachers in ordinary rural schools are the major force in anti-illiteracy campaigns in rural areas.

For many years in the past, the task of eliminating illiteracy had also been basically shouldered by ordinary rural schools, and thus on these teachers.

It had been their duty, in particular, to organize anti-illiteracy studies for those who did not go to school or who dropped out half way of their schooling.

Many rural schools give both day and night classes, and their teachers teach both primary school pupils and illiterates who attend night classes.

Without pensions and guaranteed incomes, these teachers usually had a low esteem of themselves and a low social status.

During the past decade, the government has adopted various measures to raise the living standards as well as the educational quality of these teachers—most of whom had no more than high school education themselves.

Meanwhile efforts have been adopted to transfer some of these teachers onto the government pay role.

And the government is also introducing a system of qualification tests to ensure the quality of the teachers, CHINA DAILY learned.

So far, about 1.65 million non-government employed teachers have passed the State qualification exam, accounting for 70.6 percent of the total.

And various provinces have also adopted policies to ensure that the incomes of these teachers increase at the same pace with those of the government-employed ones.

### **Mandatory Health Education Program Planned**

*HK1102022991 Beijing CHINA DAILY in English  
11 Feb 91 p 1*

[By staff reporter Zhu Baoxia]

[Text] All Chinese citizens will soon be required by law to participate in a nationwide health programme, it was revealed in Beijing yesterday.

The programme, sponsored by the National Patriotic Health Campaign Committee under the State Council, is now under final review by the government and expected to be promulgated "in the form of a legal document later this year," China Daily was told.

According to Zhang Yifang, deputy director of the committee, the programme is intended to help strengthen health administration, arouse mass awareness and effectively improve sanitation and other public health conditions.

Proposals for health publicity and education programmes have also been included in the draft legal document.

The committee urged in its draft guideline that people's governments at all levels be duty-bound to include the patriotic health work in local plans for economic and social developments, and to regularly organize mass implementation.

Specific tasks have also been assigned to each of the departments concerned to oversee environmental protection, public health, railway, agriculture and water conservancy.

Units and individuals who failed to fulfill the health obligations required by the national programme will be fined and criticized, according to the principle of the document.

While those with outstanding performances will be recommended and awarded.

The committee is also considering setting up a "patriotic health month" system and to regularly carry out sanitation competitions among cities across the country.

Besides the legal documents concerning the national health campaign, a draft State Smoking Control Law has also been submitted to the State Council for approval. The law bans smoking by children and restricts smoking in schools and some public places.

Chen Minzhang, Minister of Public Health and deputy director of the committee, recently reported to the expanded committee council conference that China's living environment has been remarkably improved owing to mass efforts over the past several years.

During patriotic health months in the past two years, sanitation awareness by both urban and rural residents had been improved, knowledge on disease control spread and the public's consciousness of self health care promoted.

Over 300 million people in 18 provinces and municipalities participated in the April patriotic health month activities in 1989 and 1990.

Water improvement projects have been expanded for around 71.8 percent of farmers which effectively curbed the incidence of intestinal diseases caused by drinking unhygienic water.

A total of 304,000 water supply plants were built across the country.

Many provinces such as Heilongjiang and Liaoning carried out "health education year" activities in 1989 to spread knowledge on health care.

Around 70 percent of the primary schools in Liaoning, Fujian and Hunan started health courses.

And 930,000 farmers in Shanxi province received two-month systematic health education and acquired titles of "family health worker."

#### **National Health Development Program Drafted**

*HK2002022391 Beijing CHINA DAILY in English  
20 Feb 91 p 1*

[By staff reporter Zhu Baoxia]

[Text] Chinese doctors' long-cherished dream of "ensuring health care for all of the country's huge population" is expected to come true by the year 2000, when the health standard of Chinese people may catch up with some developed countries, officials predict.

However, this hinges upon the successful implementation of the country's new health programme through the next decade, they pointed out.

The Ministry of Public Health and the State Administration of Traditional Chinese Medicines are jointly drafting guiding principles for health development and reform between 1991 and 2000, at the request of the central government so as to guarantee fulfillment of the global target of health-for-all by the year of 2000.

The "National Programme for Health Development and Reform in China" is designed to adapt the work to the changed economic and social situation of the country and to better meet increased needs for improved medical services, according to Chen Minzhang, Minister of Public Health.

The State stands by the principles set by the central government in the early 50s—serve the workers, farmers and army men; put stress on preventive health care; integrate traditional and western medicines and link health work with mass campaigns.

The programme will review achievements the country has made in the medical and health field in the past 40 years and decide on specific targets to be achieved by the year 2000.

Chen, at a recent national health conference, spoke highly of medical and health development in the past years in China.

The number of beds in hospitals had surpassed 2.6 million by the end of last year.

Professional health staff had reached 4.9 million, with the number of doctors for every 1,000 people up from 1.36 in 1985 to 1.56 last year.

And a total of 135 higher-learning medical institutes have been set up across the country.

Health of the people has been greatly improved, and average life expectancy has been prolonged from 35 years old before the founding of New China in 1949 to around 69.

Three-tier medical and health care networks have preliminarily been set up in both cities and countryside.

#### **Legal Information Database Developed**

*HK2002024791 Beijing CHINA DAILY in English  
20 Feb 91 p 3*

[By staff reporter]

[Text] Chinese computer scientists and law researchers have developed a database containing 4,000 laws and government decrees promulgated since 1949.

China law, the country's largest legal information database, is the result of two years of collaboration between the Applied Computer Technology Research Institute under the Shanghai Jiaotong University and the Legal Information Centre under Beijing University.

The database, containing 20 million Chinese characters, includes laws promulgated by the National People's Congress, the country's top legislative body, regulations and rules enacted by central government departments, laws and rules adopted by local legislatures, and laws in fields such as scientific contracts and intellectual patents. It also contains individual court hearings.

Computer experts said the database, which passed State-level technical appraisal in Shanghai in December, was the most advanced in the country in terms of legal information processing, storage and software.

The database, developed on the basis of personal computers, had reached international standards, they said.

Researchers at the Legal Information Centre of Beijing University said the database would run on almost all computers, and could help law researchers in their studies and foreign business people in consulting the Chinese legal system.

They said new laws and decrees could be added to the database quickly. Users might have the updated information within three months, they added.

### Weaver Girl-3 Rocket Launched

91P30096A Beijing JIEFANGJUN BAO in Chinese  
23 Jan 91 p 1

[Report from Li Wei (2621 1792) and Peng Zecheng (1756 3419 2052) in Haikou: "The Premiere Launch of China's First 120-Km Rocket Is Successful"]

[Text] At 1823 on 22 January, at the Chinese Academy of Sciences' Hainan rocket launch site, following an order from Chief Designer Professor Gan Chuxiong [3927 2806 7160], the Weaver Girl-3 rocket shot into the blue sky, while at the same time transmitting back different kinds of test data. This rocket was developed by the PLA [People's Liberation Army] University of Science and Technology for National Defense, the Jingwei Chemical Factory, and other units. It was carrying engineering test equipment from the Applied Research Center of the State Science and Technology Commission. "Excellent! What a surprise! The flight altitude we designed was 131 km, while the actual flight altitude of the rocket turned out to be 147.46 km." At the site, two technicians clad in white lab coats embraced ecstatically. This rocket is 4.87 meters long and 0.25 meters in diameter, it weighs 285 kilograms, and it can carry a payload of nearly 50 kilograms. It is China's first low-altitude probe capable of altitudes of 120 kilometers. In today's world, rockets indicate the level of a country's space achievements. Using this rocket, we can explore structures, elements, and data at different atmospheric levels. It is an indispensable exploration tool for the study of the ionosphere and other high atmospheric levels. Using the information obtained by this rocket, we can provide needed environmental data for the development of ballistic missiles, launch vehicles, satellites,

manned spacecraft, and other flight vehicles. In the 30 years from 1958 to 1988, we developed more than 10 different rocket models to ascend the first flight of stairs from the ground to 60 kilometers; however, the area above 60 kilometers became a blind area in space exploration. With the successful launch of the Weaver Girl-3 probe, we have filled this gap in China's space activities.

### Air Force Officers Earn Master's Degrees

HK0602141091 Hong Kong ZHONGGUO TONGXUN  
SHE in English 1306 GMT 6 Feb 91

["Chinese Air Force's First Group Earning Master's Degree in Military Science Graduate"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, February 6 (HKCNA)—The first group of Chinese Air Force officers earning their master's degree in military science recently received their certificates after passing interviews. This indicates that Chinese Air Force military education has been integrated into the highest levels of education in China and that the Air Force's commanding staff have become professionalized.

The first group of Air Force master's degree graduates came from the Chinese Air Force Commanding Institute in Beijing which is China's higher learning institute for training Air Force commanding officers. The 21 graduates took subjects such as aerial battle science, air force tactics, air force commanding and military history.

Previously, other groups of master graduates in other military sectors, such as the Navy, have been turned out in China.

## NORTHEAST REGION

**Progress Noted in 10 Years of Socialist Reform**

91CM0229A Shenyang LILUN YU SHIJIAN  
[THEORY AND PRACTICE] in Chinese No 21,  
5 Nov 90 pp 12-13

[Article by Geng Yu (5087 7183): "Build Socialism With Chinese Characteristics Our Own Way"]

[Text] Since the Third Plenary Session of the 11th CPC Central Committee, the CPC has been adhering to the ideological line of seeking truth from facts and, after conscientiously reviewing the historical experience of China's socialist construction in light of the realities in China, put forward the theory of building socialism with Chinese characteristics. Guided by this theory, socialist modernization in China has been enormously successful. It is not only profoundly significant on a theoretical level but also immensely important in practical terms to study certain issues relating to socialism and fully grasp the theory of building socialism with Chinese characteristics.

The theory of building socialism with Chinese characteristics is a product of combining the universal truths of Marxism with the realities in China. Therein lies the strength of socialism.

Comrade Mao Zedong pointed out, "A Communist is an internationalist Marxist, but Marxism must be combined with China's specific characteristics and expressed in a specific national way. The greatness of Marxism-Leninism lies in its linkages with the revolutionary practice of individual countries." This irrefutable truth has been borne out by the victory of China's democratic revolution. Whether or not socialist revolution and socialist construction can proceed smoothly and succeed also hinges on integrating scientific socialist theories with a nation's own specific characteristics and expressing them in a specific national form. This point has also been borne out by the historical experience of China's socialist revolution and construction. During the period of national economic recovery and the First Five-Year Plan, we scored enormous achievements in just a short time precisely because the party line, principles, and policies at the time were basically in line with the realities in China. During the 20-year period from 1957 to 1977, mistakes were made in analyzing China's major contradictions. Consequently, the party line, principles, and policies based thereupon as well as the focus of work nationwide went askew. In addition, we mechanically copied foreign models in socialist economic construction. All this prevented the integration of scientific socialist theories with the actual realities in China and the demonstration of the superiority inherent in socialism in practice.

After the Third Plenary Session of the 11th CPC Central Committee, the fine party tradition of seeking truth from facts was revived. By discussing the criteria of truth, the

entire party has significantly raised its level of understanding. At the 12th National Party Congress in 1982, Comrade Deng Xiaoping put forward for the first time the theory of building socialism with Chinese characteristics. He said, "Combine the universal truths of Marxism with the concrete reality in China. Build socialism with Chinese characteristics by going our own way. Such is the basic conclusion we draw after reviewing long historical experience." Comrade Deng Xiaoping's exposition eloquently made the point that the socialist road we take must be one with Chinese characteristics. In other words, while we must obey the universal laws of scientific socialism, we must also consider the unique laws under Chinese characteristics. The principle of universality and individuality, absolutism and relativism, is the essence of the law of contradictions in things. Building socialism with Chinese characteristics precisely reflects scientifically the unity between the universality of socialism and the uniqueness of Chinese conditions. Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics is a practical application of the Marxist ideological line of seeking truth from facts, a major development of scientific socialism in contemporary China, and a bright signpost in the victorious advance of the Chinese socialist cause.

The rich substance of the theory of building socialism with Chinese characteristics is an ideological weapon that we can use to seize victory for socialist modernization in China.

As a result of the hard work of the whole party and through the great practice of the entire population, the substance of the theory of building socialism with Chinese characteristics has been enriched enormously. Its major characteristics are:

The theory of the initial stage of socialism. This theory makes it thoroughly clear that at a time when productive forces in China are still quite backward and its commodity economy remains underdeveloped, the building of socialism will go through a special historical stage. This theory best sums up China's national conditions and provides a basic starting point for formulating the party line, principles, and policies.

The theory of having multiple economies with public ownership playing the dominant role. Socialism must be based on public ownership, but given the fact that China is in the initial stage of socialism, we must let public ownership take center stage while developing the individual economy, private economy, and cooperative economy as well as Sino-foreign joint ventures and foreign-funded enterprises. Only thus can we meet the demand of the development of a variety of productive forces in China at the present stage. This is different from socialism featuring people's communes large in size and collective in nature. Nor does it have anything in common with "privatization."

The theory of introducing a variety of distribution methods dominated by distribution according to work. This theory is an inevitable reflection in the area of distribution of the existence of multiple economies dominated by public ownership. It can ensure common prosperity, on the one hand, and prevent wide disparities in wealth, on the other.

The theory that the socialist economy is a planned commodity economy based on public ownership. This theory is a major breakthrough in socialist economic theory. It differs from both the traditional notion that the planned economy and market economy are mutually exclusive and the idea of building a commodity economy on the basis of private ownership. While more robust, this kind of economy is yet consistent with China's national conditions.

The theory of building socialism with Chinese characteristics also includes the following: the theory of the CPC intensifying self-construction under the conditions of reform and openness, the theory of expanding socialist democracy and expediting the construction of the socialist spiritual civilization, and the theory of completing the unification of the motherland using "one nation, two systems." All these theories are the creative application of socialism under China's special conditions.

The most concentrated expression of the theory of building socialism with Chinese characteristics is the theory of centering on economic construction, upholding the four cardinal principles, and abiding by reform and the open policy. The party's basic line in the initial stage of socialism is none other than the practical application of this theory. The party's basic line is the guiding principle for action for the entire party. It unequivocally calls on the whole party to center itself on economic construction and points out the basic guarantee, basic direction, and specific road for achieving the party's central task.

Driven by the theory of building socialism with Chinese characteristics, economic and political institutions have been revitalized. The introduction of a dual system—unified management and output-related system of household management—in the rural economic system has expedited the transition of the rural economy from a self-sufficient or semi-self-sufficient economy to a commodity economy, from traditional methods of management to specialized, socialized, and modernized management. In the area of urban reform, owing to administrative simplification and the delegation of authority, the separation of government administration from enterprise management, the implementation of the enterprise contract responsibility system, and the reform of the enterprise leadership system, the enterprise has improved its capacity for self-accumulation and self-development. A variety of ownership systems, dominated by public ownership, have taken shape. A socialist commodity market is gradually emerging.

In the wake of economic structural reform, political structural reform has also proved highly successful. Right now Chinese socialist democracy is developing quickly and most satisfactorily. The separation of party and government has been accomplished, as has the separation of government administration and enterprise management, making both party and government leadership more effective. The National People's Congress system has matured and improved significantly. Multi-party cooperation under the leadership of the CPC and the CPPCC [Chinese People's Political Consultative Conference] system have played an every-growing part in national democratic construction.

A decade of reform has profoundly changed people's ideas and thinking. The tidal wave of reform and openness has shaken up traditional ideas. The notion of a commodity economy, the concept of efficiency and competition, the idea of value, and respect for knowledge and educated people are growing. Initiative and the ability to innovate, latent in the masses, are being put to full use.

In short, the theory of building socialism with Chinese characteristics is changing some of the things in the relations of production and superstructure ill-suited to the development of productive forces, changing all unsuitable methods of operation, management, and thinking. It has energized and revitalized the entire nation.

The application of the theory of building socialism with Chinese characteristics has started a new chapter in economic and social development in China. It is the road to success.

The 10 plus years of reform have also been a time of applying the theory of building socialism with Chinese characteristics. Despite minor setbacks, these years by and large constitute a period when the economy developed the fastest, national power increased the fastest, and people gained the most tangible benefits in the history of socialist construction in China. It has started a new chapter in the history of social and economic development in the nation and opened up a bright future.

In the decade of reform, the nation chalked up steady sustained economic growth and increased its economic muscle appreciably. Its GNP rose from 358.8 billion yuan in 1978 to 1401.5 billion yuan in 1988, or 9.6 percent annually on the average, according to calculations using comparable prices (same below), significantly higher than the average annual growth rate of 6.1 percent in the 26 years between 1953 and 1978. China now has the eighth-largest GNP in the world. The original value of fixed assets of industries owned by the whole people that practice independent accounting amounted to 879.5 billion yuan in 1988, up 173 percent from 319.3 billion yuan in 1978.

Gross agricultural output value increased from 139.7 billion yuan in 1978 to 586.5 billion yuan in 1988,

growing 6.2 percent annually on the average, greatly higher than the average growth rate of 2.7 percent in the preceding 26 years. In 1987, nonagricultural output value in the countryside exceeded agricultural output value for the first time and reached 666.9 billion yuan in 1988, about a sevenfold jump over 1978. This is the historic change in the rural economy of China amidst reform and openness.

Gross industrial output value increased from 423.7 billion yuan in 1978 to 1,822.4 billion yuan in 1988, up 12.8 percent annually on the average, higher than the average growth rate of 11.4 percent in the preceding 26 years. The past decade was also a time when the technological transformation of enterprises was most extensive and the look of technology changed the most. A large number of key enterprises matched the technological standard of foreign countries in the 1970's and early 1980's.

Unprecedented developments have taken place in foreign trade and foreign economic exchange. The total volume of imports and exports expanded fourfold between 1978 and 1988, or 17.4 percent annually on the average, more than the 10.9 percent annual growth recorded in the previous 28 years. Between 1979 and 1988, \$47.73 billion in foreign capital were utilized.

Urban and rural living standards have improved markedly. In 1988, per capita net income among peasants was 545 yuan, up 210 percent over 1978 after discounting inflation. In the same year, per capita income for living expenses among township residents was 111.9 yuan, up 87.6 percent over 1978 after discounting inflation. In the past 10 years, eight billion square meters of new housing, both urban and rural, were constructed, greatly improving housing conditions.

The achievements of socialist construction and enormous changes in the past decade fully prove that reform and the open policy, guided by the theory of building socialism with Chinese characteristics, is the road to national empowerment.

The theory of building socialism with Chinese characteristics has mapped out a new path of continuous exploration and innovation for socialist modernization in China. And the intrinsic requirement of exploration and innovation is reform. The process of reform is precisely the process of the continuous self-improvement of socialism. As reform advances and intensifies, the superiority of socialism will become more and more evident. The theory of building socialism with Chinese characteristics will certainly turn China into a prosperous and flourishing world power. The future of socialism is bright all around.



**Taiwan Human Rights Record Found Lacking**  
*91CM0201A Taipei TZULI WANPAO in Chinese*  
9 Dec 90 pp 3, 12

[Unattributed article: "Taiwan Human Rights Report to the 1990 Taiwan Human Rights Association"]

[Text] "Background Explanation"

Everyone who thinks about and explores Taiwan's present circumstances faces a constantly changing political situation. When one thinks hard about a way to enrich this land, one readily finds that, although the ruling party has announced its determination to reform, judging from the overall status of the situation in Taiwan in 1990, numerous old and unfair systems that impede progress in full democratization of society continue to exist, and new policies not in keeping with the times hobble the people's rights and their spiritual freedom. The wrong-headed and obstinate dictatorial mentality of the powerholders continues to be unwilling to return to the people what belongs to the people, so the people do not have the right to choose between what they want and what they do not want. The status of human rights in Taiwan has not progressed as some people predicted.

A review of the situation in Taiwan in 1990 shows that, after the political battles of March, the impact and influence of a military man forming the cabinet reverberated on the orientation of the entire society. For the time being, regardless of how the military man's cabinet conflicts with contemporary democratic society, the issue of the ruling class pushing forward a military strongman as a means of solving political disputes and of it turning a deaf ear to the people's interests for the sake of politics when the people are looking forward to constitutional government reform and a return to democracy is a particularly debatable issue. Moreover, Taiwan's political situation, society, and economy are all in a transitional period. They are developing toward plurality; thus, the formulation of any policy must be evaluated from every angle, must fit in with the needs of society, and must take into account the interests of the local people. Regrettably, however, after several months of survey, the Hau cabinet is unable to govern in time with the pulse of society. Instead, it maintains a rigid and domineering military concept in governing an increasingly vibrant and complex society urgently in need of politically enlightened reform. Thus, Taiwan is just like a large military camp. Furthermore, there has been no really marked improvement in the maintenance of public order, the economy continues to slide, people's freedom and rights have been seriously restricted, and no improvement in social welfare is apparent. The predicament of the military man's cabinet of having more problems than it can cope with shows up everywhere. Against this background, human rights are not respected or maintained in Taiwan in a satisfying way; instead they are frequently sacrificed as the authorities make excuses about the restoration of national order and social order,

when actually they are safeguarding their interests. This association is deeply concerned about this.

**Personal Freedom**

**(The Criminal Roundup Problem)**

Ever since the Hau cabinet assumed power, it has used the straightening out of public order as the centerpiece of its rule. From 9 July till November, it engineered six separate "criminal roundup campaigns." Not only did these campaigns send many members of criminal gangs to the courts, but numerous environmentalists, social activists, worker activists, and even local representatives were also termed "environmental hoodlums," "social movement hoodlums," and "worker movement hoodlums" to be investigated under provisions of regulations regarding hoodlums and sent to public order courts during periods when disorder was being suppressed.

The provisions of the regulations for the investigation and elimination of hoodlums empower police organs in each county and municipality or in each municipality under Executive Yuan jurisdiction to both book and try hoodlums to maintain public order and to make a disposition following a hearing in conjunction with the Ministry of Justice Information Bureau, with the Taiwan Garrison Command General Headquarters, and with units of the Military Police General Headquarters stationed in each county and municipality or in cities under direct Executive Yuan jurisdiction, as well as with prefecture garrison command headquarters; this has meant a disposition entirely by military or police organs in the maintenance of public order. Furthermore, according to Article 6 of the enforcement regulations, trial decisions are to be rendered in writing, with the result that the accused has no opportunity to make an oral reply. The accused's human rights can scarcely be properly guaranteed. In addition, the same article provides that hoodlums who have committed serious offenses must go through a warning and summons process before being remanded to custody and turned over to a public order court. During the criminal roundup campaigns, most of those arrested as hoodlums did go through the warning and summons process, but Article 10 of the regulation provides that the court can hold a person in custody for a maximum of 30 days, and that the place of detention is to be a police organ detention center. Furthermore, once a hoodlum disciplinary case is tried and the accused is sentenced and committed to a disciplinary center, his or her period of detention pending trial is not deducted from the period of sentence, nor may he or she request compensation for a miscarriage of justice. This conflicts with the spirit of Article 8 of the Constitution, which guarantees people's personal freedom. In addition, the public order court trial process clearly denies the accused procedural justice. It employs indirect written sentencing as a principle, while also prohibiting the accused's legal counsel from examining dossiers or evidence or from copying by hand, making photographic copies, or photographing records. The accused has no means of direct access to or means of weighing the

evidence possessed by the accuser. Furthermore, once sentenced to a disciplinary center, he may spend a maximum of five years there. His human rights clearly do not matter much.

In the straightening out of public order, the investigation and elimination of "hoodlums" may be substantively appropriate, but in a democratic country under the rule of law, the exercise of human rights should particularly abide by procedural justice; otherwise, the innocent may be harmed, and the personal freedom guaranteed by the Constitution may be violated.

### Freedom of Speech

Freedom of speech is not only the foundation on which individual spiritual civilization activities rests, but also a prerequisite for the development of democratic government. The significance of free speech in democratic government lies in the open expression of all sorts of political views through an open speech market; these views manifest their validity through constant open discussion, thereby enabling the citizens to form judgments and make choices through a dialectical process. Therefore, no preset points of view or improper limitations should be placed on speech, for to do so will jeopardize development of popular thought and abet the rise of dictatorial government.

During the election of legislators at the end of 1989, some "New State Alliance" candidates of the Democratic Progressive Party [DPP] openly advocated a free Taiwan. The Taiwan Superior Procuratorate turned this case over to an investigator to determine whether it was a violation of rebellion laws. Subsequently, the Superior Procuratorate concluded the case. It also turned over to investigation officials the case involving the resolution of the second plenary session of the fourth DPP Congress that "Our country's actual sovereignty does not extend to the China mainland and Mongolia." The officials were to determine whether this resolution should be construed as rebellion. Additionally, the Taiwan Superior Court issued a decision in the case regarding the detention of Luo I-shih [5012 41356 0013] on suspicion of preparing rebellion. This decision held that Luo I-shih's statements advocating Taiwan independence were not concrete preparations to engage in rebellion and that he was not guilty of preparing rebellion. However, his incitement of the public many times to fight for Taiwan independence was an incitement to others to commit a crime. The collegiate bench judge who rendered this decision also emphasized that the decision in this case should not be construed as meaning that advocacy of Taiwan independence was covered by freedom of speech.

The material result of the court decisions suggests increased tolerance on the issue of whether advocacy of Taiwan independence constitutes the crime of rebellion. Most decisions maintain that simple advocacy of Taiwan independence does not constitute preparations for rebellion. This should be affirmed. As to whether

advocacy of Taiwan independence falls within the category of free speech, the courts still hold different views, and they also hold different views as to whether such advocacy should be considered a crime. During November, Huang Hua [7806 5748] was arrested on suspicion of "rebellion" and brought to trial. The Standing Committee of the ruling party Central Committee resolved again to instruct the Ministry of Justice to investigate this case as a crime of "rebellion." This case and the DPP "Taiwan Sovereign Independence Motion" case seem to show a retightening of restrictions on the advocacy of Taiwan independence that merits close attention. The very different legal judgments made and the different investigative attitudes actually do not manifest independence in trial procedure; on the contrary, they fully show the interference of the ruling party authorities in the judicature. This was amply demonstrated in the cases involving the DPP's "actual sovereignty case," and the "Taiwan sovereignty and independence campaign committee" case in which the ruling party instigated the judicial system to conduct investigations. Furthermore, the provisions about the crime of rebellion contained in Article 100 of the criminal code lack clarity about essentials. The types of punishable conduct are not spelled out in the law, with the result that simple statements may be regarded as rebellion. In addition, judges lack understanding of the value of human rights; consequently they apply the law mechanically. The advocacy of Taiwan independence has always been suppressed by the state system. Although the draft resolutions of some legislators have invalidated the provisions on rebellion contained in Article 100 of the criminal code to strengthen guarantees of political expression, nevertheless, the ruling party authorities maintain their habitual attitude toward the judicature, and judges likewise have not advanced their understanding of human rights. Even though advocacy of Taiwan independence is no longer considered the crime of rebellion, tricks may be used to construe it as some other crime with the aim of not guaranteeing freedom of speech. The change in regarding advocacy of Taiwan independence as a crime of rebellion and a crime of preparing rebellion to some other crime symbolizes the intricate and obscure process through which freedom of speech has developed in Taiwan, a process paid for with the freedom and the lives of many people. In the most recent Huang Hua case, we deeply hope that there will be no backtracking on freedom-of-speech guarantees, and that the people will be able to have renewed confidence in the legal system.

Actually, it is its tolerance that distinguishes a democratic government, that is, permitting all sorts of different views to exist at the same time and enabling the people to control the course of national policies through the expression of opinions and the exchange of views. Consequently, restrictions on freedom of speech must be viewed very seriously, limitations on the substance of speech must be avoided, and the principle must be adopted of making judgments on a case-by-case basis. If there is time to exhibit the falsity and the errors of

statements through discussion, or the prevention of harm through education, then, instead of enforcing silence, there should be more discussion for the purpose of curing the acrimony that the statements may arouse. Therefore, only during times of dire peril should freedom of speech be limited as a matter of practice. In particular, the more abstract the legal rights to be safeguarded, the more reason that limiting freedom of speech should be strictly explained. To avoid distorting the spirit of the Constitution, particular attention should be given this point when invoking criminal punishment.

### **Freedom of the Media**

The long monopoly exercised by the ruling party over the electronic media has been constantly denounced by people in all walks of life. Nongovernment people have many times requested permission to establish radio and television broadcasting stations, but the News Bureau, which is in charge of such matters, has always denied permission on grounds of an insufficient number of frequencies. However, the repeated broadcasting activities of nongovernment people have shown this to be a preposterous reason. One example was the successful broadcasts of the democracy television and radio broadcasting stations that Wu Le-tian [0702 2867 1331] set up. Another example was the "Capital Democracy Wired Television Station" that DPP municipal assemblyman Ch'en Shen-hung [7115 0524 1347] set up. On the day following the inauguration of broadcasts, this station was surrounded by between 400 and 500 personnel from the News Bureau who cut the wires and banned the broadcasts.

Guaranteed freedom of the media is a prerequisite for the development of democratic government. In particular, radio broadcasting and television are the most effective tools for the dissemination of information. Their frequencies have a certain capacity, and the frequencies remain the common property of all the people. If radio and television broadcasting is the designated monopoly of the ruling party, this offers a serious challenge to the fairness of democratic rule and is also an encroachment on the people's right to know. Western countries employ control measures when frequencies are limited, but these control measures are founded on the principle of "the public's need, convenience, and interests." In this connection, the following three principles are followed: First, a certain percentage of programs must be public service programs. Second is the principle of "fairness." On controversial issues, views for and against must be aired in succession or at the same time. Third is the principal of "equal time." During an election campaign, for example, time must be allotted for all political parties to promote their political views. Examination of the way in which frequencies are controlled in Taiwan at the present time quickly reveals that the principle of "public good" is not respected by those in charge. Despite the availability of unused frequencies, those in charge do not permit establishment of radio and television broadcasting stations, but neither do they strictly require that the existing three publicly run and

party-run television and radio broadcasting stations broadcast political news of equally good quality. This amounts to allowing the ruling party to maintain a monopoly on the broadcasting media, which runs counter to a democratic government's equal competition among political parties. Even if no frequencies are really available, the Kuomintang and officialdom should completely withdraw in the interest of fairness from existing television and radio broadcasting companies, so that they are operated entirely by the people and are neutral, because frequencies should be jointly owned by all the people. To permit a single political party to monopolize the broadcasting media amounts to denying other political parties freedom in the use of the media. This blocks the possibility of handing over political power and also restricts the people's freedom of information.

In addition, in the publications field, when MIN-CHUNG JIH PAO and TZULI TSAO PAO began air delivery to Chinmen in October 1990, the newspapers were detained by security authorities at the airport on the pretext of "Regulations Prohibiting Newspapers in a Martial Law Zone." Not only was this action an infringement on freedom of the press and on the Chinmen public's right to know, but, in terms of equal rights, it was also discrimination against the Chinmen public.

### **Freedom To Move Residence**

#### ***(The Blacklist Issue)***

The "blacklisting" of dissidents living abroad from returning home has long been seriously criticized; however, three years after the lifting of martial law in Taiwan, this problem has yet to be completely resolved. At the June 1990 national policy conference, requests were made to permit certain dissidents living abroad to return to Taiwan to take part. However, quite a few were on the blacklist of people prohibited from entering Taiwan. Examples were the former director of the Taiwan Association, Ch'en T'ang-shan [7115 0781 1472], and the former director of the All-America Taiwan Compatriot Fraternal Association, Yang (nee Huang) Mei-hsing [2799 7806 5019 1630], all of whom were allowed to return for the National Affairs Conference. In addition, the former chairman of the Taiwan Independence Alliance, Ts'ai T'ung-jung [5591 0681 2837] also received permission to return to Taiwan on the pretext of attending a funeral. The return of these people was regarded as a breakthrough on the overseas blacklist. However, by contrast, four professors, namely Li Ying-yuan [2621 2019 0337], Wu Ming-chi [0702 2494 1015], Yeh Kuo-shih [5509 0948 0528], and Tang Chun-ch'an [3282 0193 3934], who wanted to take part in the annual meeting of the "North American Taiwan Teachers Association" held in Taiwan during 1990 were unable to return for lack of visas (One of them, Professor Li Ying-yuan, returned to Taiwan secretly. Now he has been banished by the authorities concerned for violation of the national security law). In another case, Cheng Tzu-ts'ai [6774 5261 2088], the main suspect in the Chiang [5592] assassination case, applied to return to

Taiwan for a funeral, but has yet to be granted permission. Obviously only a symbolic breakthrough has been made on the "blacklist" issue; no real solution has been obtained. Particularly noteworthy is the lack of uniform standards among units abroad for the issuance of visas for return to Taiwan. As a result, some people are passed rapidly, while others wait interminably. This calls into question the standards for approval. However, every citizen has the right to enter the country. There should be no unreasonable discrimination. Although the units concerned use the national security law as an administrative basis for refusing entry, the most frequently quoted law is the very controversial Item 2, Article 3 of the National Security Code about "a factual basis for judging that a major suspect may damage national security or social stability." The standard for this factual basis for judging is contained in Article 12 of regulations for enforcing the code. These regulations provide that a person may not enter the country if he or she is "a member or active in the Communist Party or any other rebellious organization," "a member or a person active in a violent or terrorist organization," and "anyone suspected of engaging in internal disturbances or foreign aggression." According to these provisions, anyone suspected of involvement in criminal activity or anyone against whom the state has taken legal action that is still in progress may be administratively penalized by an administrative organ's refusal of permission to enter the country. This constitutes interference with the exercise of judicial rights. This provision amounts to the destruction of the separation of powers system, and is even more a deprivation of the people's right to be legally tried and their freedom to move back to their homeland. The ancient banishment system provided for a trial procedure, but the deprivation of the right to return to one's homeland is freely decided today by an administrative organ. This is not just a mockery of democratic constitutional government. Just what organ is to determine the facts of the situations listed in Article 12 of the regulations for enforcing the national security code? Through what legally prescribed procedure are they determined? These are serious questions.

The existence of a blacklist is a concrete indicator of the state of human rights in Taiwan. The national security code that provides a place for blacklists must be examined and revised; otherwise, not only will those residing abroad not be free from fear, but the ruling party authorities will have to pay a price time and time again in their image.

### **Freedom of Residence**

#### ***(The Mainland People Repatriation Issue)***

Because of the economic gap between both sides of the Taiwan Strait, instances of fishing boats sneaking into Taiwan have occurred regularly in recent times. Concerned with security and limited by policy considerations, the local authorities deal with the problem of these stowaways from the mainland uniformly by "gathering them onto a single ship for repatriation." The

crudity of this "gathering onto a single ship for repatriation" led during July and August to the death by suffocation of 25 stowaways held in a boat hold; and the collision with a naval vessel sank a repatriation boat, leading to the tragic loss at sea of 21 people.

In repatriating stowaways from the mainland, the Taiwan Garrison Command assembles 50 or more mainland visitors on a single fishing boat for repatriation. In order to prevent a takeover of the boat or a change in course during the journey, everyone is locked in the hold except for the several members of the crew who sail the boat. After nailing a plank over the hold hatch, the Navy conducts the boat to the middle of the Taiwan Strait where its job is finished. However, since the equipment on mainland fishing boats is rudimentary, most ships lack lifesaving equipment. In addition, the stowaways lack training in the perils of the sea, and even those who sail the boats usually have insufficient experience. As a result, once the boat crosses the midline in the Taiwan Strait, its safety is extremely shaky. In none of the repatriations have proper provisions been made for the safety of the stowaways. This fully reveals the light-hearted frame of mind of the repatriation operation, and the lack of humanitarian spirit not to mention love for compatriots.

No matter whether looked at in terms of human dignity or humanity, everyone has the right to try to improve his or her life; thus, it is difficult to blame the stowaways. Looked at from a purely legal standpoint, the Republic of China Government still claims sovereignty over the mainland, so mainland people have the right freely to enter the place where the Government of the Republic of China is located, and they should receive protection from the Government of the Republic of China. When they enter Taiwan territory, they come under protection of the constitutional freedom of movement and residence. Realistically speaking, however, the mainland and Taiwan are controlled, in fact, by two different authorities. To allow people from the mainland to enter Taiwan freely may be presumed to have a seriously negative effect on Taiwan's security and development. Therefore, repatriation is a necessity. However, the way in which repatriation is carried out must be consistent with humanity, respect for the security of life being the highest principle. This is because the value of life is supreme, and all policies and interests must be subordinate to human life. Careless repatriation work amounts to a disregard for human life. In view of the mutual recriminations, current repatriation work should be handled by the Red Cross through the cooperation of the Red Cross on both sides of the strait. It is hoped that the safety of the lives of mainland stowaways will receive minimum respect.

### **Prisoner Rights**

Although convicts are criminals, they still have human rights; thus, the treatment of convicts should respect their human dignity.

For some time, the rights of prisoners have been disregarded by all concerned. Instances in which prison administrative personnel violate the law and usurp authority causing a trampling of the rights of prisoners are heard frequently. In 1990, Wei Te-wang [7614 1795 2489], sentenced by a peace preservation court to correctional training for selling a gun, was knocked against a coconut tree during a basic-training class and died because severe wounds to his head were not treated. Two youths, one named Chou and the other named Lin, at Tuch'eng Youth Reformatory tried to commit suicide by jumping from a building, but were only slightly injured because of the softness of the ground. Convicted members of the South and North Gang in Taitung Prison fought using weapons. At the Hsintien Military Prison, 400 convicts rioted, setting fire to the prison dormitories; 17 people were wounded. In addition, Taipei Prison convict Wu Kang [0702 0474] wrote an expose in which he revealed his bitter experience in being moved to another prison when seriously ill, and how he nearly lost his life because of the seriousness of the situation.

Article 6 of the criminal code provides: "When a convict refuses to accept prison discipline, he or she may lodge an appeal through the prison warden with the supervisory organ or personnel in charge; however, until a decision is rendered, there is to be no halt in the discipline." Until such time as the appeal is decided, there is to be no halt in the discipline means that the sentenced person must submit to the punishment. However, the attitude of most units toward appeal cases is "the less trouble the better," so the convicted person's right of appeal is unlikely to be extended. So, after two or three months, when the supervisory organ decides the appeal case, it usually notes that the person in charge has made an error, which is of not the slightest benefit to the convict, or it may even lead to "revenge" from the person in charge. Thus, the efficacy of the appeals system is open to question, and the convict's human rights are more frequently suspended. When it is difficult to cry out against injustice, prison disturbances will happen frequently.

Not only must a high degree of care be shown for the physical rights of convicts, but their "freedom of information" and "a living space consistent with human dignity" also deserve attention. Currently convicts and defendants in prisons do not even have freedom of choice in subscribing to a newspaper for which they themselves pay. The only newspapers to which prisons permit subscription are CH'ING NIAN, CHUNG HUA, CHUNG YANG, HSIN SHENG, CHING CHI, and MIN SHENG. This limitation is based on Section 2 of Article 421 of the prison criminal code which says, "The reading of publications provided by oneself must be approved by the prison director." This approval system, plus the strong "martial law" mentality of prison directors, means that convicts' basic freedom to read newspapers is limited by the unreasonable "proportional principle," which contradicts and mocks Section 1, Article 39 of the prison criminal code which says that

"rehabilitation should emphasize citizen virtues, and information and skills needed in social life. In addition, there is the problem of prison overcrowding. During times when large-scale roundups of criminal elements are made, the problem becomes very serious. Take Taipei Prison (at Kueishan in T'aoyuan) as an example. This prison has a legal capacity of only 2,333 prisoners, but is now over capacity with about 4,000. In the Taipei Prison's "model cell block," the Szu-i Block, 14 or 15 convicts must squeeze into a cell measuring 5 or 6 ping [one ping is an area six feet square]. This is a space of less than 0.5 ping per person in which to eat, drink, sleep and wash. Such a space ratio is no more than what livestock have.

During times of large-scale roundups, the powerholders regard prisons as big boxes in which bad people are locked up as though all that is needed is to send all criminals to prison in order to cure completely the public order problem. Little do they realize that when there is no way for human rights to obtain minimum protection in prison that the role of prisons in rehabilitation becomes a remote theory and prisons become breeding grounds for public order cancers. The day that the convicts are let out of prison will, it is feared, be when Taiwan public order will pay a greater price.

#### Human Rights in the Armed Forces

Under the double restraints of the martial law system of the past and the authoritarian system, society has long ignored the issue of "human rights in the armed forces." Once martial law was lifted, faced with both internal and external pressures, military units addressed certain "human rights" issues such as improvement of discipline and help for the injured, but no marked improvements could be made in other matters, such as soldiers' "rights and duties," political beliefs, political persecution, and the criminal code. Since the military stresses "absolute obedience" and "strict discipline," it has a strict military law and investigation system that does not accept supervision from organs of public opinion. In the absence of outside supervision, matters pertaining to "human rights in the armed force" become an "in-house affair" in the armed forces, so people outside the armed forces have difficulty understanding the seriousness of human rights problems in the armed forces.

Article 138 of the Constitution provides: "The nation's Army, Navy, and Air Force must place loyalty to the nation and regard for the people above individual, regional, and party relationships." This means that the armed forces are national and above politics. However, the military has set up a Kuomintang headquarters in the armed forces to check on the loyalty of professional military men toward the "party and country," and the military also forces cadets in military officer schools at all levels to join the Kuomintang. These headquarters are a part of political warfare activities in the armed forces. Should cadets in these schools not want to join the Kuomintang, some political warfare officers will take various measures that "require" the cadets to join the

party. The most frequently used method is to restrict the cadet to quarters on holidays, to face a wall or stand facing a dressing mirror as punishment for several hours until the cadet agrees to join the party.

Also, since political views differ, those who want to join another political party or take part in the activities of another social group are usually questioned and investigated by political warfare officers in the professional officer corps. Then an administrative order is issued transferring the cadet to duty on an offshore island where he is watched closely by political warfare units. In 1990 DPP members Captain Ch'en Sheng-ching [7115 5116 1987] and Captain Chiang Chun-hua [5592 0193 5478], as well as Corporal Hsieh Chien-p'ing [6200 1696 1627], were discriminated against in this way. Chiang Chun-hua was even sentenced to six years in the brig on the pretext of "defying orders in the face of the enemy." Both Hsieh Chien-p'ing and Ch'en Sheng-ch'ing were also prosecuted under military law for "defying orders in the face of the enemy," but were not convicted thanks to expressions of support from outside the armed forces.

When an officer school cadet in the professional officer corps is found to have taken part in activities sponsored by a social group other than the Kuomintang, he must submit to a political warfare unit investigation upon returning to school. Depending on the seriousness of the circumstances, he is required to write a statement of repentance, is restricted to quarters, confined, or expelled from the school.

Within the nonprofessional corps, the Ministry of National Defense and the Ministry of Education give an annual officer candidate examination, but officer candidates who are not members of the Kuomintang may not enter political warfare schools for training. If, prior to military service, a cadet took part in a demonstration or wrote an article criticizing the Kuomintang, he will be closely watched by a political warfare unit during his period of military service.

Not only do political warfare units watch, but "protection cells" have also been set up throughout military units to watch the activities of members. Since this "protection" structure has point-to-point communications and is directly controlled by political warfare officers, most members of the armed forces do not discover the existence of protection cells. It is the reports of these protection structures, and the "security check investigation data" on members of the armed forces that form the main basis for political warfare officers' determination of the loyalty of members of the armed forces.

As regards "political oppression" in the armed forces, during the previous martial law period, such matters were usually handled according to military law. After a perfunctory trial, a sentence was pronounced. After the lifting of martial law, the armed forces handled such matters "administratively." If a soldier uttered or wrote on a wall statements inimical to the "party or country," following investigation a military unit might punish him

with "restriction to quarters," or "confinement." In such a situation of no neutrality in the armed forces, one can imagine that the two laws that the Kuomintang Central Committee Election Committee proposed at the end of 1990 for voting in military camps and voting by mail would not ensure the civil rights of military personnel. Instead the closed nature and the single party control of the armed forces would be used for the political mobilization of members of the armed forces while avoiding transparent supervision from public opinion.

The matter related most closely to "human rights" in the armed forces is discipline. Since "disciplinary" methods vary in the armed forces, numerous unfortunate incidents are very likely to occur. At least 250 unfortunate cases among more than 300 known cases are related to the "discipline" issue.

The military places a lot of emphasis on "rank," and it consequently finds it difficult to shake itself free from "rule of men" ideas. Errors are frequently made on disciplinary issues because of men, which leads to the occurrence of unfortunate incidents. Such was the case in July 1990 when Combined Services and Technical Services student Sui Chueh-hsien [7131 6030 0341] entered a moral training class for discipline, where his punishment killed him. This demonstrated the seriousness of the "discipline" issue in the armed forces.

In fact, unfortunate incidents resulting from improper "discipline" in the armed forces have gradually aroused the attention of the outside world. Those that attracted most attention were when many replacement soldiers, who had not been properly disciplined, gave vent to their anger by using their weapons to kill colleagues after reporting for duty. The occurrence one after another of tragic incidents such as the "Chiulung Village incident," the "incident in which a Chinmen soldier killed his colleagues with a hand grenade," and the "military police Corporal Hong Yen-jin [3163 3508 6651] shooting incident," show the tragic incidents caused by "improper discipline" in the armed forces. This seriously threatens the "life" part of "human rights." Basically, the reason that similar incidents will occur in the future is that grassroots-level units "discipline" entirely according to individual whim and the incidents grow out of the use of corporal punishment. Even though the Central Military Affairs Committee has drawn up an appeals system, it has not been very successful, and it has not very well curbed problems resulting from improper discipline.

#### The Discipline Problem in the Armed Forces

To continue, because of the crude way in which the military court system has been designed, military judges cannot really determine the true facts in cases. For the most part, it is the political warfare system that provides evidence, some of which is distorted or of a perfunctory nature. As a result, the rights of soldiers in military court proceedings are virtually without guarantee. Unit commanders have too much latitude in interpreting the

various regulations that the military has formulated, which grants officers of brigadier general rank life-and-death authority. However, the problem is that these officers who hold life-and-death authority are almost all from the political warfare branch of service. Although lacking training in the rule of law, they have authority, nevertheless, to try all legal matters. As a result, "administrative orders" substitute for the "rule of law." An example is a military administrative order that "prohibits the riding of motorcycles." Violators are to be charged with the "crime of disobeying orders." This order mixes up an "order" and the "law." This is a violation of human rights.

Another problem regards absence without official leave [AWOL]. Since more than 6,000 soldiers go AWOL each year, the Ministry of National Defense has issued orders to every unit to "mete out severe punishments" to halt an increase in the number of AWOL's and solve the AWOL problem. Military law provides different punishments for absences of 24, 72, and 120 hours. However, under existing orders, those who have been AWOL for more than 72 hours are turned over to military law units for punishment and different sentence are meted out. This is a violation of human rights.

Since military prisons have too many prisoners confined there for being AWOL and other reasons, many people are punished in detention areas at the division level and above. For the most part, these detention areas are under control of military police or soldiers from field army units. Since they do not possess a knowledge of the rule of law, they "discipline" prisoners according to their individual whim. As a result, the treatment that prisoners should be accorded is ignored. This can lead extremely easily to outbreaks of violence in military prisons and detention areas resulting from prisoner dissatisfaction. In the Hsintien Prison riot of 19 September 1990, more than 300 prisoners rioted. As a result, 18 people were hospitalized with serious wounds and one cell block was burned in the most serious incident of the year. Thus, as far as the military is concerned, the violations of "human rights" are most serious in military prisons, detention areas, moral training classes, and confinement rooms. Both the military and society should give this matter close attention.

Data that the Ministry of National Defense has released show that more than 450 soldiers die accidental deaths each year. National Assembly delegate Weng Chin-chu [5040 6855 3796] has also pointed out that in recent years more than 410 cases exposing the death of servicemen have come to the Assembly's service division for a hearing. In this connection, on 25 August 1990, a "demonstration to get human rights in the armed forces" was held in Changhua. Of the 450 cases, most involved death by suicide or in vehicle accidents. The military has never explained the reasons for the so-called "suicide deaths," nor has it accepted visits by family members until after the conclusion of investigations with the issuance of a "death certificate" by a forensic medicine doctor or a military doctor. The military closes out all

cases of "death from unknown causes" as "suicides." Benefits paid for troops lumped under the "suicide" category vary from one person to another. The armed forces has never explained why the sums paid vary. Obviously, the phenomenon of more than 300 people "dying in the line of duty" or from "suicide" each year has not aroused the serious attention of the armed forces.

Much factual data show that the armed forces have purposely ignored the military personnel "human rights issue." This applies to cases tried under military law, in particular. Because they are under military control, military law units handle cases in accordance with instructions from higher ranking officers. Consequently, "military law" is a sham that cannot exist independent of the military administrative system. As the "corruption case" trials of military officers Chou Hsin-nan [0719 6580 0589], Lei Ch'ing-tung [7191 1987 0520], and Chu Ts'un-wu [2612 1317 2976], and the "prison pardon case" of Wu Chien-hua [0702 1696 5478] of recent years show, there is no way to change the Ministry of National Defense's standpoint despite a Legislative Yuan interpellation and a Control Yuan proposal to put matters right. This demonstrates that "military law" is still under control of the "military system," and cannot possibly be independent. Unless "military law" becomes independent eventually, it will be supervised and directed by political warfare units; thus, it remains to be seen just when "human rights in the armed forces" will be given serious attention by the armed forces and human rights matters will be handled according to law.

Human rights in the armed forces have already reached a point where the need to face the issue will brook no delay. So many unexpected incidents and the thousands of AWOL cases annually all show that guarantees of human rights in the armed forces are a new topic about which all social workers concerned with human rights should be concerned. Even though the current legal system has a military service law and related military regulations, a new challenge for 1990's for Taiwan human rights workers and for all who are concerned about human rights is to clarify and bring about a complete change in the relationship between the rights and duties of servicemen and the rights and duties of ordinary citizens, particularly considering that the armed forces have a long tradition of keeping to themselves, an awareness of human rights that is not very conspicuous, and a disregard for the human rights of servicemen.

On the day he took office, President Li Teng-hui invoked the last part of Article 3 of the pardon law, which reads that "punishments may be declared null and void under special circumstances," and granted special pardons to Lin Hung-hsuan [2651 1738 1357], Lu Hsiu-lien [0712 4423 5571], Ch'en Chu [7115 5468], Yao Chia-wen [1202 0857 2429], Huang Hsin-chia [7806 0207 0094], Chang Chun-hung [1728 0193 1347], Lin I-hsiung [2651 5030 7160], Shih Ming-te [2457 2494 1795], and Hsu Hsin-liang [6079 0207 5328], who were convicted in the Meilitao incident. He also invoked the first part of



Article 3 of the pardon law to free 11 people convicted of rebellion, including Huang Chien-feng [7806 0494 1496]. In addition, rights were restored for seven political criminals, including Ch'en Ming-chung [7115 2494 1813], who had served their terms and had been released from prison. These special pardons may be said to have been a goodwill gesture to pacify some political victims. However, from looking at the provisions of the pardon article that were applied, one can see that the namelist of persons pardoned included persons jailed for "rebellion cases" who were not involved in the Meilitao incident; that the treatment they were accorded in this pardon differed from the treatment the Meilitao convicts received. Furthermore, many people convicted of political crimes remain in jail and have not been granted special pardon.

Basically, a special pardon is a political redress that differs from a legal redress. The consistent demand of the Meilitao convicts to make an appeal following the lifting of martial law in order to seek legal redress. However, provisions of the national security code deprived them of their basic right of appeal; thus, they lost the opportunity to seek legal redress. The president's granting of a special pardon may be said to be the use of a political tactic to help them, but this good intention does not generally apply to all political victims of the martial law system. Actually, a special pardon is simply the application of an extraordinary measure to relieve individual cases of judicial injustice. However, when many injustices resulting from the absurd system structure are encountered, only reform of the system itself can begin to cure the problem at its source.

Although President Li Teng-hui's announcement of a special pardon on the day he took office in May released from prison the more than 20 political criminals convicted in the Meilitao incident, including Huang Hsin-chia, Chang Chun-hung, and Hsu Hsin-liang; nevertheless, because of more than 20 different laws that strip political prisoners of their rights to participate in government and their right to work, once released from prison, prisoners suffer from severe encroachments on their right to exist, making them second-class citizens. Under current national laws, even after they have served their sentence, those convicted of rebellion have many restrictions on their rights. In the field of civil rights, examples include Article 34 of the election law, and Article 28 of the public servant employment law, which provide that political criminals may not register as candidates for political office and may not serve as public servants. In the work rights area, political criminals are excluded from teaching work. Article 31 of regulations for the hiring of teaching personnel, and Article 18 of the private school law provide that they may not take teaching jobs or operate schools. Furthermore, many professional service job regulations do not permit political prisoners to get a foothold. They are not permitted to become lawyers, accountants, medical doctors, veterinarians, pharmacists, midwives, nutritionists, architects, technicians, reporters, or ship pilots. Even

Article 30 of the company code provides that political prisoners may not hold the position of director, overseer, and manager. These provisions mean that opposition personages who took part in democratic activities and were termed rebels and who have served their sentences, had their sentences reduced, or were released from prison on parole must endure additional lifelong suffering from which there is no parole. Because their work rights are restricted, their right to survive is also correspondingly encroached upon.

The goal of punishment is to reform criminals so that they can gain a new life. However, from the prevention point of view, denying convicts the right to take part in government and the right to work is not appropriate. When convicts complete their required sentence, when their punishment is over, and when they leave prison, they should have the basic human rights of ordinary people. Depriving them of their right to work is no different than a resumption of punishment. It runs counter to the aims of the system to protect their new lives, to say nothing of running contrary to the spirit of the Constitution in ensuring people's right to live and work. Although special pardons can eliminate improper restrictions on some convicts' right to participate in government and right to work, unless legislation is revised, there will be no way to remove this shackle from convicts. During June 1990, the Legislative Yuan passed a provision removing the restriction banning on those convicted of rebellion from becoming lawyers. We hope that, after this revision, other provisions that improperly deprive political criminals of their right to participate in government and their right to work will likewise be removed. This is because, in a country ruled by law, the existence of a second-class citizen should not be allowed. Every citizen should have complete and equal space to exist.

#### Taiwan View of Mainland Policy Called 'Naive'

91CM0173A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 251, 1 Dec 90 pp 52-56

[Article by Li Yi (2621 1837): "Special Topic—Taiwan Views of Mainland China; Taiwan Naivete and Misperceptions About the CPC"]

[Text] In line with the deliberate attempt by Taiwan authorities in recent months to dampen the Taiwan "interest in Mainland China," there has been talk by many people in the Taiwan media and even in public forums about the need for "psychological defenses" against the mainland, even to the point of emphasizing "psychological defenses" over "national defense" and eliminating "naive wishful thinking."

However, there are certainly very few who can specifically define what is meant by "psychological defenses" or "naive wishful thinking." Moreover, it seems that those who speak of the need for "psychological defenses" have none themselves against the CPC regime, and those

who speak of the need to eliminate "naive wishful thinking" are precisely those who harbor such naivete toward the CPC regime.

At a meeting held on 7 October 1990 to set up the "National Unification Council," Taiwan President Li Teng-hui noted that "it is precisely the misconceptions among many of our fellow countrymen about the CPC that are causing the beehive of Taiwan interest in and naive wishful thinking about Mainland China."

As these words of Li Teng-hui are certainly correct, what then is the CPC really like? We who live in Hong Kong may be able to provide answers to this question based on the lessons that we have learned from many years of contact and personal experience with the CPC. My intention in this article is not to discuss any general principles, but rather only to present a series of specific personal views.

### I. On the Reunification Timetable

The first matter I would like to discuss is the reunification timetable.

Hong Kong's English-language SOUTH CHINA MORNING POST reported on 19 September 1990 that the CPC officials in charge of the United Front Work Department and the Taiwan Affairs Office were just beginning to draft a five-year plan for "national reunification," and that Deng Xiaoping had stated at a meeting in early September that "unless we set a definite timetable and persist in carrying out planned action, this matter of reunification, about which we have procrastinated for four decades, will continue to be delayed."

While it can be said that this news attracted absolutely no attention in Hong Kong, it certainly aroused quite a shock in Taiwan. When CHUNG KUO SHIH PAO interviewed Sun Xiaoyu [1327 2556 6735], deputy director of the PRC State Council's Taiwan Affairs Office, Mr. Sun stated that the report in the SOUTH CHINA MORNING POST was "absolutely unconfirmed and, to be a little more emphatic, an outright fabrication." Sun Xiaoyu denied that either a "high-level secret meeting" had been held or that the United Front Work Department and Taiwan Affairs Office had proposed a "five-year reunification plan."

However, the Taiwan weekly HSIN HSIN WEN then reported on 29 October 1990 that, on 19 May 1990, Deng Xiaoping had clearly stated in a meeting with a visitor from Taiwan, Teng Wen-yi [6772 2429 0308], that "Mainland China and Taiwan are members of the same family and should not fight, because fighting would be bad for both sides"; and, "While Taiwan certainly must be reunified with Mainland China in perhaps two to three years, reunification ought to be able to be achieved within three years at the most." Whereupon a new "reunification timetable" was set forth. Even though this timetable specified no use of force, but "at

most three years," Deng Xiaoping did not elucidate and no one else has been able to ascertain the grounds or considerations behind it.

Considering reactions from all quarters, the Taiwan media seems to be paying a lot of attention to whether or not the CPC has a "reunification timetable." The general media reaction is more concern if the CPC has set a reunification timetable, and less if it has not.

However, we who better understand the CPC have reacted somewhat differently. Our view is that the setting of a "reunification timetable" by the CPC is certainly nothing to worry about, nor is not having set one anything to be happy about. This is why Hong Kong people reacted more indifferently to the news of a "five-year reunification plan."

First, judged according to the CPC's consistent pattern of action, setting timetables is one of their most common methods. The CPC has always favored planning to achieve specific objectives. In the economy, it has set and carried out one five-year plan after another. Thus, it is entirely possible that a three- or five-year reunification plan might have been proposed at one of the periodic gatherings of the "still-living" CPC elders.

However, while the CPC is keen on setting timetables for whatever actions it proposes to take, it certainly does not fulfill every task according to schedule. In fact, none of its five-year economic plans were actually fulfilled. Despite the fact that Deng Xiaoping listed "national reunification" in early 1980 as one of five major tasks to be accomplished in the 1980's, has the CPC yet fulfilled this great cause of "reunification" now that the eighties are over? In fact, a three- or five-year reunification timetable can be said to reflect simply Deng Xiaoping's dreams or his personal faith in the slogan, "one country, two systems," but is not one from which any grounds or considerations can actually be inferred.

In fact, the most terrifying deeds that were committed in the last four decades of CPC rule were ones for which no timetables were set. For instance, none of the movements that have been so disastrous to the people, such as the antirightist campaign, the Cultural Revolution, the "campaign against bourgeois liberalization" in 1987, or the Beijing massacre on 4 June 1989, were ones for which the CPC had set plans and timetables.

Thus, first, setting timetables is a consistent CPC pattern of action; second, the CPC has never fulfilled any of its plans on schedule; and third, the most terrifying deeds committed under CPC rule were ones for which no timetables were set. Once these three basic facts about the CPC are understood, how could anyone continue to worry about whether or not the CPC has set a "reunification timetable?"

### II. On the Asian Games

The second affair that must be brought up is the Asian Games.

Despite the fact that Taiwan spent so much money and manpower in support of the 1990 Asian Games that were held in Beijing, which it hoped that the CPC would most directly "reciprocate" by backing Taiwan as the site of the 1998 Asian Games, the CPC instead adopted a negative attitude in the Asian Olympic Committee toward Taiwan's sponsorship of the 1998 Asian Games. Ever since, many Taiwan people in both the public and private sectors have been very disappointed, and some have even felt that they were sold out by the CPC. There has even been some complaining that, "With all of the private CPC assurances that it would back Taiwan's sponsorship of the 1998 Asian Games, who would have guessed that it would then go back on its word at the Olympic Committee meeting?"

All of us in Hong Kong who had any understanding of the CPC knew immediately, on the very first day we heard that Taiwan was aspiring to sponsor the 1998 Asian Games, that the CPC could not tolerate such a thing. Who could be so naive as to imagine that the CPC would allow athletes from all over Asia, including those from Mainland China, to go to compete in Taiwan, with "KMT [Kuomintang] flags" flying all the way from the airport to downtown Taipei? How could the CPC stand to listen to Li Teng-hui's speech at the opening ceremonies in his capacity as "President of the ROC"?

Just one week before the vote by the Asian Olympic Committee on the site for the 1998 Asian Games, PRC President Yang Shangkun had reiterated in a meeting with Huang Chao-sung [7806 5128 2646], editor in chief of Taiwan's CHUNG KUO SHIH PAO, that "China can have only one government, which can be only in Beijing; this cannot change," and "We absolutely cannot accept that Taiwan and Mainland China have two governments, we will not give in on this bottom line, and we will not endorse the idea of two governments. The recent proposal by some Taiwan people for one country in two regions is also wrong, because where is there any country in two regions? The central government must be in Beijing. This is our most important principle." Thus, allowing the Asian Games to be held in Taipei would make it very hard for the CPC to avoid acknowledging Taiwan as an independent political entity. In other words, the CPC's "most important principle" would be abandoned. How could this be conceivable?

I always very much doubted "all of the private CPC assurances that it would back Taiwan's sponsorship of the 1988 Asian Games." CPC officials had allegedly said that, "as Chinese, we naturally would not oppose the Asian Games being held on another part of Chinese territory." How could such slippery statements with so many possible interpretations be considered "private assurances?"

The first example of Taiwan people's naivete toward the CPC was their belief that the CPC would reciprocate Taiwan's good intentions. The second was their belief that the CPC would abandon its "most important principle" and back Taiwan's sponsorship of the Asian

Games, because CPC officials at all levels had met Taiwan participants in the Beijing Asian Games with such cordial, smiling faces. The third was the enormous effort they had put forth to suit ambiguous statements by CPC officials to their own aspirations, which led them to the view that they were "private assurances."

These three cases of "naive wishful thinking" combined to make the Taiwan people forget the CPC's "most important principle," which led to "great expectations" and finally ended up in "a great disappointment."

### III. Li Teng-hui's "Views on Reunification"

The third issue that I wish to deal with is Li Teng-hui's speech at the meeting that was held to set up the National Unification Council. On one hand, he asked people not to harbor "naive wishful thinking" toward the CPC while, on the other, his speech betrayed his own "naivete."

Li Teng-hui's "naivete" could be seen in his "views on reunification." He remarked that "The international tide for those trapped behind the iron curtain has turned from yearning for political democracy, economic freedom, and open societies to a wave of action and a declaration of war on the centralized, autocratic, communist system." He further remarked that "as the CPC absolutely does not have the strength or the hope to resist this tide for long," "Chinese reunification is not a remote fantasy," "the opportunity for Chinese reunification is unfolding before our eyes," and so on, and so forth.

Although Li Teng-hui's remarks that the international tide has turned toward democracy, freedom, and openness, which the CPC cannot resist for long, are of course true, just how long does this "resist for long" imply? Because "the party controls the guns," "the guns control the people," and the people are now controlled by force, it is still likely that the CPC will remain able to resist the international tide of democracy for the short, medium, and even rather long terms. Because many Mainland Chinese intellectuals who have fled abroad, those who did not flee do not dare to speak out, and the students have no spiritual leadership, any new movement seems basically impossible. Many Mainland Chinese are quite pessimistic about the future of democracy on Mainland China. If "national reunification" is premised on the realization of democracy on both sides of the Taiwan Strait, reunification is then "a remote fantasy" for most Chinese, because democracy is "a remote fantasy" for them.

While Li Teng-hui emphasized the CPC's inability to resist for long the international tide of democracy, he failed to point out the relatively static situation on Mainland China under CPC rule by force. As he noted the CPC's "isolation" but failed to envisage the terrible and "desperate fight that it will put up as a cornered beast," his views on reunification thus contain "naive wishful thinking."

#### IV. The "Influence" of the "Taiwan Press" in Mainland China

If Li Teng-hui's remarks at the first session of the "National Unification Council" about the CPC's inability to long resist the international tide of democracy are considered an "overly optimistic" forecast, statements that followed by certain Unification Council members were more overly optimistic, even to the point of being clear off the scale of reason.

Quite a few spoke about the need to "take the press to" mainland China by distributing Taiwan newspapers there. Others favored Taiwan "political parties organizing on Mainland China to promote qualitative change of the communist system." Others held that, "in addition to taking the press to Mainland China, Taiwan should also try to influence the mainland through agricultural technology group cooperation." Yet others pointed out that "reunification will require planned actions," and so on.

While all of these statements were induced by their "exciting" prospects, they all overlooked the basic facts about the current CPC domination over Mainland China. As far as "taking the press to" the mainland, how could the CPC allow Taiwan newspapers, under its current tight media control, to be brought into or distributed on Mainland China? While the Hong Kong press tried as long as a decade ago to operate on the mainland, all of its publications that persisted in any truthful reporting were forced one after another to shut down their mainland operations. There are only three or four remaining Hong Kong publications, all of which are subsidized either directly or indirectly by the CPC, which can be mailed to or bought at specially designated mainland hotels. Even these can sometimes experience problems. For instance, after 4 June 1989 and until very recently, many mainland hotels had stopped carrying even the Hong Kong edition of WEN WEI PAO.

At a meeting on 21 September 1990 with Huang Chao-sung, editor in chief of Taiwan's CHUNG KUO SHIH PAO, Sun Xiaoyu, deputy director of the PRC State Council's Taiwan Affairs Office, proposed that, if a Taiwan edition of RENMIN RIBAO could be distributed in Taiwan, it was not impossible that a mainland edition of CHUNG KUO SHIH PAO could be distributed on Mainland China.

While Sun Xiaoyu's proposal may have aroused certain fantasies in Taiwan press circles or made certain members of the Unification Council feel that it would be possible for the Taiwan press to operate on Mainland China, all of those with even a little understanding of the inflexible CPC media control methods knew that this was absolutely impossible. If the CPC ever allowed the Taiwan press to sell mainland editions in Mainland China, such "mainland editions" would have to toe the CPC line. Even so, their distribution would be greatly limited and, at most, they could be sold only in certain specially designated mainland hotels like the other Hong Kong CPC mouthpieces!

The only possible impact that Taiwan can now have on Mainland China is by exerting a subtle influence on the local level through economic and technical cooperation! As far as the size of Mainland China, the tightness of CPC control, the "uniformity" of the media throughout the PRC, and the CPC's sensitivity to organization by political parties are concerned, Taiwan had best not waste energy by trying to do such things as taking the press to or developing political parties on Mainland China! Whether Mainland China can long resist the international tide of democracy will be determined by domestic mainland factors. Outside influences, including so-called "planned" actions, are likely to 1) heighten CPC vigilance, and 2) give them a pretext with which to crack down on domestic dissenters. Was it "collusion" with the outside world that aroused such dissent in the first place?

#### V. Substituting Wishes for Realities

All Taiwan newspapers have been reporting recently the "promotion" of Fujian Governor Wang Zhaoguo to director of the PRC State Council's Taiwan Affairs Office, and the working conference on Taiwan affairs that was held in the latter part of November 1990. The tendency of Taiwan press circles to substitute wishes for realities can be seen quite clearly in this reportage.

First, Wang Zhaoguo's shift to the central government was simply a job "transfer," and certainly not a "promotion." As he was once the director of the CPC Central Committee's General Office, this return to the central government could actually be considered a slight demotion. Moreover, Yang Shangkun pointed out at a meeting with Huang Chao-sung of CHUNG KUO SHIH PAO that Taiwan policy "is made by the Politburo Standing Committee and then passed to other sectors to be expedited," and that the "State Council's Taiwan Affairs Office is merely a policy enforcement body which, like the Overseas Chinese Affairs Office, is responsible for expediting policies." In other words, Wang Zhaoguo was transferred to director of the Taiwan Affairs Office only to take charge of a "policy enforcement body," and absolutely not to guide a policymaking body. Despite this, the Taiwan press still reported Wang Zhaoguo's "promotion" to director of the Taiwan Affairs Office, and that, at the working conference on Taiwan affairs that was held in late November, "Wang Zhaoguo was given complete charge of future new and overall Taiwan affairs."

Second, the key excerpts of Yang Shangkun's discussion with Huang Chao-sung, published by the CPC on 10 November 1990, show that the CPC's basic Taiwan policy has certainly not changed, and that the working conference on Taiwan affairs was held simply to discuss how to respond to the situation by implementing the CPC's basic policy of "one country, two systems"! However, Taiwan newspaper reports that this working conference on Taiwan affairs was certainly "a reformulation of CPC policy on Taiwan," were based on the following two considerations: "First, the quantitative change that

has occurred since Taiwan-mainland exchanges were resumed, that is, the easing of tensions created by large numbers of personal contacts. Second, the qualitative change created by democratization within Taiwan, that is, that the essence of ROC-PRC relations is not a third round of KMT-CPC cooperation, but rather the need for reliance on popular will as the only possible means of winning public support."

While these two changes have certainly occurred, the issue remains as to whether the senior CPC leadership will use these "two considerations" to guide any "reformulation of CPC policy on Taiwan?" Yang Shangkun's statements showed no such "considerations." Moreover, he emphasized that "Mr. Deng Xiaoping's proposal that the KMT and CPC elders had best settle their differences during their lifetimes," was still the formula for KMT-CPC negotiations.

The Taiwan people hope that the younger generation of CPC leaders will dominate the CPC's Taiwan policy, that the senior CPC leadership will renounce the use of force against Taiwan in consideration of the easing of tensions created by the large numbers of personal contacts among people from both sides of the Taiwan Strait, and that the CPC will face the fact of Taiwan democratization and stop focusing its efforts on KMT-CPC negotiations. Even though Taiwan reporters may have expressed these "hopes" to the CPC officials in charge of Taiwan affairs and received no reply, which created the impression that they were agreed with, such reports that substitute fancy for fact are bound to create certain misconceptions. In fact, the CPC's "superelders" are still firmly in control of the dominant decisionmaking power over Taiwan policy, the CPC has certainly not renounced its policy on the use of force against Taiwan because of the increased personal contacts among people from both sides of the Taiwan Strait, and the CPC still expects "reunification" to be achieved through negotiations between KMT and CPC elders. All of these points were expressed very clearly in Yang Shangkun's statements.

#### **VI. The Sense of Awe Aroused by Contact With the Seat of Absolute Power**

Along with the increased frequency of personal contact among people from both sides of the Taiwan Strait, the "honor" that Taiwan people win by contact with senior CPC cadres has become a much-used bargaining chip in the CPC's approach to Taiwan affairs.

All Chinese probably feel a certain sense of uncontrollable awe upon contact with the seat of power. Why do they feel awed instead of excitement? This is because contact with the seat of absolute power leaves them with a physiological stimulus, not a psychological reaction. This sense of physiological awe stems primarily from their traditions. China has more than 2,000 years of autocratic tradition, which have left Chinese with an obviously deep-rooted awe of absolute power. But it is also aroused by the current political realities. As the

political power of the authorities in mainland China is so absolute that it is almost unlimited, all those who hold it have a certain sense of "majesty," which becomes more "majestic" the greater the power that is held.

Most Chinese, including intellectuals, are certainly unable to follow the teachings of Mencius to "disdain the majesty of officials." After coming in contact with an "official," a Chinese usually feels an inexplicable sense of awe. When his envious relatives or friends ask him to describe the experience, he is likely to boast about all the details, not omitting anything, from the "official's" language, bearing, and expression to his own personal impression of the "official," and sometimes even embellishing his experience by "elaborating" on the "official's" words and then thinking that these "elaborations" were what the "official" had actually said.

The CPC's "united front" is usually not motivated by "interests" or even by "words." That is, it achieves its objectives not through bribery or persuasion, but rather usually through the "honor" won by contact with senior cadres. Since the CPC began to negotiate the issue of Hong Kong's future with Great Britain in 1982, many Hong Kong people have met with various CPC "officials" in either Beijing or Hong Kong. It seems that there are no insignificant officials. Many quite learned and experienced celebrities who met with these "officials," either accepted whatever they said unconditionally and then repeated it publicly in Hong Kong, or actually imputed their own nonsense to them. What has caused this? It is due to the "sense of awe aroused by contact with the seat of absolute power."

However, this CPC bargaining chip no longer works because 1) the Hong Kong public have seen it so overused that they are no longer awed by it, and 2) Hong Kong people have come to despise certain senior CPC cadres since 4 June 1989. For instance, the few celebrities who have been to Beijing to see Li Peng were not only not awed by the experience, but did not even dare to mention it to others after returning to Hong Kong.

Despite this, we can still see reports in the Taiwan media about many Taiwan people who experience the same "sense of awe aroused by contact with the seat of absolute power" from contact with senior CPC cadres, which certain Hong Kong people experienced many years ago, and who not only are taken in by certain senior cadres' words, but even come out in defense of CPC policy. Although they are unable to come up with any reasonable justification for these actions, they are certainly due to the sense of awe aroused by contact with the absolute power of senior CPC cadres, which type of authoritative is sometimes still used unreasonably in Taiwan.

#### **VII. Organization Versus the Lack of It**

The previous issue of CHIUSHIH NIENTAI carried two internal CPC documents on Taiwan, which show that

CPC "operations" concerning contacts among people from both sides of the Taiwan Strait are organized and goal-oriented.

It is apparent that, while there have been 1.3 million visits to Mainland China by Taiwan people, only 5,000 Mainland Chinese have visited Taiwan; and where Taiwan is rich and prosperous, Mainland China is poor and backward. While Taiwan is generally considered to have a greater impact on Mainland China than Mainland China has on Taiwan, the case actually seems to be exactly the opposite. That is, while it is very difficult on the mainland to perceive any impact of Taiwan on Mainland China, the impact in Taiwan of all Mainland Chinese actions is certainly quite amazing. In addition to the great demographic and territorial differences between Taiwan and Mainland China, this is also due to the organized way in which the CPC handles contact with Taiwan people. While the CPC has a formula for dealing with Taiwan visitors of "receiving, brainwashing, understanding, and making friends to promote mutual understanding," and very tightly controls the makeup and previous indoctrination of mainland visitors to Taiwan, Taiwan has no organized way to either deal with Taiwan visitors to Mainland China or receive visitors from Mainland China. Organization naturally holds greater advantages than the lack of it.

The CPC's organizational objective is obviously to "promote peaceful Chinese reunification by suppressing separatist tendencies in Taiwan." The CPC constantly tries to achieve this objective by hook or by crook. For instance, Yang Shangkun noted in his talks with Huang Chao-sung that "Certain Taiwan people remain unconvinced in that they fear 1) united front action against Taiwan, and 2) that we will brainwash them. Mainland China has always prohibited such actions, because they are absolutely of no advantage in promoting reunification."

However, the internal CPC documents on Taiwan very clearly indicate the need to "work hard" on Taiwan compatriots, by "convincing more of them to endorse the CPC stand on peaceful reunification, and 'one country, two systems.'" What is this if not united front action and brainwashing?

Thus, despite the fact that CPC officials are fully capable of telling barefaced lies to achieve their united front objectives, both the Taiwan media and populace still seem to need to believe such lies that are motivated by united front and propaganda necessities.

#### **VIII. An Easygoing Disposition, But a Swashbuckling Mentality**

Why do the Taiwan people seem to need to believe such lies? It is because they sound so pleasant and agreeable! But, when people speak the truth, it often sounds very unpleasant and disagreeable.

The current Taiwan feeling is that Mainland Chinese have an easygoing disposition, but a swashbuckling mentality.

Even though the Taiwan people, as everyone else throughout the world, naturally fear war, the Taiwan people's fear of war leads to going to all lengths to prove that the CPC will not use force against Taiwan. And, despite repeated CPC refusals to renounce the use of force against Taiwan, the Taiwan people still seem to want to make a case out of asking the CPC to say that it does not have a reunification timetable, which then seems to reassure them.

Although the Taiwan people fear war, and hope that large numbers of contacts among people from both sides of the Taiwan Strait and expansion of economic and trade relations will induce the CPC to accept a more relaxed status quo of coexistence between Taiwan and Mainland China, and that a show of goodwill toward Mainland China will be reciprocated by the CPC, these hopes have been impossible to realize because they generally conflict with the CPC principle of "one country, two systems."

Although all Taiwan people also hope that the CPC regime will make a qualitative transition toward democracy and freedom in light of the 4 June tragedy and the enormous changes that are occurring in East Europe, their hopes are generally unrealistic because the reality is that the hardline CPC regime still seems to have the upper hand.

The Taiwan people have a superiority complex toward the Mainland Chinese because of their prosperity, but an inferiority complex because of their smaller size and relative weakness. As to their superiority complex, they feel that money can solve anything ("it was their money that enabled them to take part in the Asian Games") and, as far as their inferiority complex is concerned, they tend to worship absolute power. These characteristics, which dispose the Taiwan people toward a belief in others' fine-sounding words and a sense of their own infallibility, often come across as naivete.

However, what the Taiwan people are actually facing is a one-party dictatorship with absolute power, a consistent policy toward Taiwan, a party and government apparatus that expedites this policy in an organized and goal-oriented way, and a corps of cadres who know how to conduct united front actions with sham smiles and cunning words and expressions. While the mainland Chinese may not be as "smart" as the Taiwan people individually, they are certainly much more powerful as an organized group.

It seems that, in order for the Taiwan people to really cast away their unrealistic and opinionated naivete, come to truly understand the CPC, and strengthen their psychological defenses against it, great public and private efforts have yet to be made to establish a common understanding of these issues.

**Editorial on Financing 6-Year Construction Plan***91CE0216A Taipei CHING CHI JIH PAO in Chinese  
9 Dec 90 p 2*

[Editorial: "Raising Financial Resources for the National Six-Year Construction Plan"]

[Text] The Council of Economic Planning and Development revealed on 7 December that the estimate of funds needed for the National Six-Year Construction Plan currently being organized are as high as 8.8 trillion yuan. The enormity of the figure can be seen in that it corresponds to twice GNP in 1990. How to raise the funds is crucial to whether the plan can be implemented at all. Thus, Hau Pei-tsun, head of the Executive Yuan, invited the Finance Ministry minister to a special meeting on how to raise revenue for the six-year plan. It is said that funds will be raised by issuing more government bonds in addition to public utilities raising funds themselves and the government running an annual surplus in its current account.

Although there have been government ordinary account annual surpluses for several years now, still, this is still not enough for the six-year plan which needs an average 1.4 trillion yuan in funds per year. Furthermore, in recent years tax revenues only have accounted for around 60 percent of income. Income has been very unstable, while recurring outflow has increased greatly. Add to this the economic recession of 1990, and a shortfall on land taxes and other levies, and it will be hard to say whether the government's future ordinary accounts will continue to show surpluses each year. Moreover, reviewing several past years of public investment data reveals that government and public utility investment each account for one-half. The government's public expenditures will increase greatly as funds needed for the future six-year plan. Based on conservative estimates, issuing government bonds in order to raise half the funds needed for the six-year plan means raising 4.4 trillion yuan. In order to provide for a rainy day, the Ministry of Finance has given a revised report of "Rules for Issuing Central Government Construction Bonds" to the legislature. The revision's focus is raising the limit on central government annual bond issuance expenditure from 40 percent to 60 percent. However, issuing 4.4 trillion yuan worth of government bonds within the next six years to fund national construction means that this percentage must be continually and greatly increased. Since, through the end of October, bond issuance surplus in all levels of the government only accounted for 4.1 percent of GNP in 1990, there is still much room for growth when compared to the 40 percent average GNP bond issuance figure in the industrialized countries. Although until now some 3 trillion yuan in surplus reserves have been accumulated, the market can bear to issue such a huge amount of government bonds in only six short years, but the future burden to repay capital with interest will be great.

While government bond issuance can resolve the matter raising funds for the six year plan, future sources of revenue for repaying capital with interest must be worked out as soon as possible to avoid having issuance of great amounts of bonds from becoming a burden on future generations. Yesterday the Ministry of Finance proposed extending the government bond issuance term from five to seven years up to more than 10 years so as to lighten the annual burden on repaying capital with interest. Doing so will only extend the repayment term without resolving the problem of revenue sourcing. To thoroughly resolve this matter with respect to the Six-Year Plan, the two following proposals are offered for consideration of the decision-making authorities.

What we first propose is a full "system in which beneficiaries pay expenses." For example, collect bridge and highway tolls, as well as construction beneficiary fees. Also, charges must be collected for trash handling and health insurance to make many investment projects become self-repaying. Doing so will not only prevent government bond issuance from becoming a burden for future generations, but it also can grow non-stop, with the aim of fairness met by continually offering new construction plans. Everyone is familiar with this system and little expansion is required. Our emphasis is on the following proposal.

Our second proposal is to issue "transferable government bonds" by tying them in with the privatization of public utilities. The revenue source for repaying "transferable government bonds" will be public utility stocks. "Transferable government bonds" refers to allowing investors in presently issued government construction bonds the right to choose repayment in cash or transfer them for specific government-supported public utility stocks. They are similar in character to "transferable company bonds" issued by enterprises.

At the outset, selling public utility stocks can be a direct revenue source for the "Sixth National Construction Plan." However, large-scale sales will affect their market value. Those who purchase them first may suffer losses, and the newly recovering stock market may be hit. The drawbacks of direct large-scale sales of public utility stocks would be avoided if the government first issues transferable bonds and stipulates that after a certain time period, up until they come to term, holders at any time can exchange them for stocks of several specified utilities. Taking note of the specified time limits, the government can draw up a privatization table for public utilities that is flexible. Government bond holders can decide whether to hold on to them based on their value vis-a-vis transferable stocks. When the value of government bonds exceeds that of transferable stocks, government bond holders can ask for repayment of capital with interest upon expiration, thereby being assured of maintaining their original value. When the value of transferable stocks exceeds government bonds, government bond holders at any time during the transfer term can trade them in for stocks and gain even more.



Issuing such transferrable government bonds can be used for investment construction plans besides the self-repaying kind. They are advantageous to the government, the promotion of the privatization of public utilities, and investors.

Regarding the government, 1) it makes it easy to raise construction funds. Investors readily accept transferable government bonds because they have the characteristics of stocks and ensured repayment of capital with interest. 2) Funding costs are relatively low since transferable government bonds have the features of stocks. Their face value interest rates can be somewhat lower than that of ordinary government bonds in order to lighten the government's burden. 3) This accelerates creation of a bond market and perfection of a capital market, which includes the stock and bond market. Taiwan's bond market has never taken off because it does not accumulate enough. A centralized market functioning as a lively bond market can be made by issuing transferable government bonds. This would attract liquid capital, and bring in ordinary surplus capital. 4) The government can avoid the onerous burden of annually repaying the principal on government bonds.

Regarding the privatization of public utilities, this method 1) avoids large-scale direct sales of public utility stocks. It goes beyond indirect exchange of official stocks for transferable government bonds with their adverse affects on investors and the stock market. This is because investors judge the market differently and choose different exchange opportunities, gradually turning over stock rights, which is helpful to stock stability. 2) A certain number of people criticize the idea of selling public utility stocks under privatization, contending that it goes against the capital policies of developing the country under the principle of the people's livelihood. If public utility stocks are used for urgent public construction needs, and this construction is enjoyed by all the people, then it is line with the fundamental spirit of the people's livelihood and should not be censured.

Regarding investors, 1) selling transferable government bonds is safer than directly selling stocks—doing so ensures the principal and interest; 2) when anticipated interest on a stock is higher than that on the face of a government bond, it can be transferred to a stock to enjoy higher returns—when a stock value exceeds government bond value, one can earn profits by selling, and when stock prices are inflated and government bond prices similarly rise, transferable bonds can be sold or exchanged for capital interest.

Given the above analysis, one can see that issuing transferable government bonds is a multifaceted way of financing the six-year plan for national construction. It is worth consideration of and adoption by the authorities in charge.

### Editorial Views New Trading Opportunities

91CE0217A Taipei CHING CHI JIH PAO in Chinese  
11 Dec 90 p 2

[Editorial: "New Opportunities To Develop Foreign Economic and Trade Relations"]

[Text] Recently while public attention is focused on the growing tension in the Persian Gulf and the incident of the Liu Ching plant construction at home, a few other things have taken place, which apparently have failed to draw much attention but, in our view, are of far-reaching significance and may turn out to be new opportunities for our country to develop foreign economic and trade relations. We should, therefore, pay attention to them and seize the opportunities.

The first is about Olga Havel, wife of President Havel of Czechoslovakia, who came to visit and left on 7 December. Because Czechoslovakia fell into the iron curtain and became a socialist country after World War II, we have had no diplomatic relations with it. Since Czechoslovakia's democratic reform last autumn, we have developed economic and trade relations with it, but there has been no official contact. However, contacts on the people-to-people level have been increasing, as more and more people from Taiwan are going to East Europe as tourists, and businessmen from Czechoslovakia have also paid visits to Taiwan. Although Olga Havel is not a government official, the significance of her visit to Taiwan as the President's wife is by no means ordinary. While in Taiwan, she was deeply impressed by our achievements in economic development and the quality of life of our people. Interviewed by reporters before her departure, she indicated that representative organizations could be established mutually between Taiwan and Czechoslovakia. We believe that this was not merely diplomatic language, and that both countries will certainly work diligently to make it happen soon.

Czechoslovakia is more developed industrially among the East European countries. Before the war, it was world-famous for its machine-building industry. Despite the yoke of the socialist system after the war, the industrial foundation has remained. What it lacks now are funds needed to rebuild the economy and all kinds of manufactured goods needed to improve the people's living standard. Judging by the economic structures of Taiwan and Czechoslovakia, it should be possible to develop good economic and trade relations between the two countries. And Taiwan's capital can also be invested in Czechoslovakia through suitable channels. As our country is going all out to open up the European market, this is an opportunity worth exploring. We hope that the government will do everything it can to move forward in this direction, first seeking to set up mutual representative organizations, and then guiding and helping businessmen to develop economic and trade relations and promote mutual investment between the two countries.

The second is an interview with Mrs. Chamorro, President of Nicaragua, by our reporter Yu Chih-chin [0060

6400 3830] in Miami, Florida, on 6 December. Mrs. Chamorro indicated that Nicaragua needs Taiwan's assistance in all fields, because Nicaragua has long been in a state of political turbulence, which has resulted in a backward economy and poverty. In contrast, the "Taiwan economic miracle" that has happened in the past 40 years is recognized by the whole world. The Nicaraguan government needs Taiwan's capital and experience in technological and economic development to help Nicaragua develop its economy and satisfy the needs of its people. Nicaragua's greatest aspiration is to repeat the "Taiwan economic miracle" in Nicaragua. Therefore, she hopes that Taiwan will establish export-processing zones and set up business operations in Nicaragua to popularize the Taiwan experience.

Under the Sandinista regime, Nicaragua practiced communism in the past, and the result was political unrest, social disorder, economic backwardness, and impoverishment of the people. Mrs. Chamorro defeated the Sandinista regime in a general election. Since assuming office, she has not only rejected communism, but strived to rebuild the economy. At the same time, she has restored diplomatic relations with our country. At a lunch of the annual Caribbean Sea meeting, she delivered a speech in which she mentioned Taiwan four times and expressed the hope that Taiwan enterprises would invest in Nicaragua and take part in Nicaragua's economic reform.

Situated in Central America, Nicaragua has a land area of 130,000 square kilometers, about 3.6 times the area of Taiwan. Its population was 3.5 million in 1989. The country has abundant natural resources, most of which have yet to be tapped, and industrial development is inchoate. Since Mrs. Chamorro assumed office, she has pushed political democratization on the one hand and accelerated economic development on the other. Taiwan's big enterprises, such as the Hsin Kuang Textile, Tai Yuan Textile, and Tung Yuan Enterprise, have made on-the-spot surveys of the investment climate in Nicaragua. The Tai Yuan Textile Corporation plans to invest \$170 million to build a textile mill in Nicaragua.

If Taiwan wants to develop economic and trade relations with Nicaragua, the best way, in view of Nicaragua's lack of capital and eligibility for general preferential tariff treatment in the United States, is to establish an export-processing zone in Nicaragua to take advantage of the country's cheap labor to produce light industrial products for export to various American countries. Textile mills can be set up in the export-processing zone. Other industries, such as electronics, household electrical appliances, toys, and ready-made clothes, can also set up

shops in the export-processing zone. As we have already established formal diplomatic relations with Nicaragua, the government departments concerned should actively negotiate with the Nicaraguan government to offer capital and technical assistance and hasten the establishment of the export-processing zone. With our past experience in establishing export-processing zone, this should be easy to accomplish. At the same time, banks in Taiwan can also ask for permission to set up branches in Nicaragua to provide loan funds for Taiwan businesses building plants in the export-processing zone. We believe that with the increasing stabilization of the political situation in Nicaragua, the economic and trade relations between the two countries will become increasingly close. Conversely, the growing economic and trade relations between the two countries will also contribute to Nicaragua's political stability.

The third is that in order to increase Taiwan's economic and trade strength in Europe, the Ministry of Economic Affairs has recently asked the Ministry of Finance and the Central Bank to draw up incentive measures to encourage the large government and private banks to set up branches in various big European cities. It is especially important to prepare to establish a joint state-private bank in Brussels, Belgium, to take up the responsibility of establishing business relations with EC banking and monetary institutions, handle bilateral investment and loan operations between Taiwan and Europe, help expand Taiwan's economic, industrial, and financial cooperation with European countries, and absorb European banks' operational and managerial skills.

This idea of the Ministry of Economic Affairs really should have been promoted long ago. We have also made similar suggestions in our editorials in the past. This is because the trade volume between Taiwan and Europe now already makes up 18.3 percent of our total foreign trade volume and is still growing rapidly. Especially because of the forthcoming integration of the EC in 1992, it is all the more important for Taiwan to expand its European market, absorb European science and technology, and promote mutual investments. All this will need banking institutions to act as advance guards and develop cooperation with the banking industry in European countries. We not only hope that these incentive measures can be formulated at an early date, but also hope that both government and private banks will seize the opportunity to open up new bases in Europe. Thus, there will be more room for Taiwan to expand its economic and trade relations with the European countries in the future.

### Assessment of Worsening Emigration Problem

91CM0200A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese No 219, 16 Dec 90  
pp 14-16

[Article by Lu Zijian (4151 1311 0256): "Facing Up to the Grim Problems of the 'Transition Period'—Positive and Negative Solutions to the Emigration Problem"]

[Text] **Our Talent Is Being Drained and Our Prosperity Is Uncertain**

If someone were to ask me "What is the most serious problem Hong Kong faces right now?," my answer would be simple: emigration.

Hong Kong's most vital resource is the talent of its people. If we lose large numbers of talented people due to emigration, then basically we need not wait until 1997—whether the "Joint Communique" or the Basic Law is put to practical implementation or not, Hong Kong's prosperity and stability cannot be ensured.

The emigration problem is hugely perplexing to Hong Kong society. Everyone (including the Hong Kong government, foreign governments, private organizations, and so forth) plans to solve the problem, but so far we have seen only marginal results. Is the emigration problem, in fact, a Gordian knot? Is there a solution?

### Emigrant Numbers Reach New Highs

Fairly early on, the Hong Kong government forecast that foreign emigration would, this year, reach a new high of 62,000 persons.

Based on the numbers published by the Hong Kong government, an average of 20,600 emigrants left each year from 1980 to 1986. In 1987 the number began to rise, hitting 30,000. In 1988 there were 45,800 emigrants, in 1989 there were 42,000, and in 1990 there were 62,000.

If we calculate beginning in 1987, then we see that in the past four years a total of 180,000 persons have emigrated. The Hong Kong government estimates that emigrant numbers will reach a saturation point around 60,000. If the estimate proves correct, then we may see about 360,000 more emigrants between 1991 and 1996. The total number of emigrants from 1987 to 1996, the eve of Mainland China's acquisition of sovereignty over Hong Kong, could reach as high as 540,000. This would be about 10 percent of the Hong Kong population.

This is an alarming statistic. If we try to imagine what it would be like if 10 percent of China's population went abroad, then we can get a grasp of what these numbers mean.

The whole truth of the tale cannot be found in the numbers we have just recounted. What particularly concerns people is that about one-fourth of all emigrants

are specialists, technicians, administrators, and managers who account for only about 6 percent of the Hong Kong population. In addition, about 20 percent of all emigrants have university degrees, which are found in only 4 percent of the population. And the majority of the emigrant population is between 29 and 44 years old. We can see from these statistics that many of the emigrants are young, they have received higher education, and they hold important positions in society. Our society invested much over many years to cultivate this talent, and if these people leave Hong Kong our loss will be enormous.

The number of emigrants and the draining of talent have brought other social problems: Massive job vacancies have pushed wages skyward; more workers tend to jump from job to job; employers have been forced, because of the problems touched on above, to devote more efforts and resources to personnel issues and employee salaries; workers lack a sense of belonging to the organization where they work, and so forth. Those in the ranks of management can be found worrying about their personnel problems caused by the emigration issue, if they are not instead worrying about their own emigration plans. Already these problems have imperceptibly exacted a heavy toll on Hong Kong society.

If the tale continues to unfold like this, the results will be disastrous. Thus, everyone is rushing to find a solution.

### Negative Solutions

Prime responsibility for resolving the emigration problem lies with the Hong Kong government. And what work have they done?

The Hong Kong government feels that the long-term solution to the emigration problem lies in cultivating talent. In the 1989 Hong Kong Governor's "Administrative Report," Governor Wilson proposed a rapid expansion in college and university education so that the number of students admitted to degree programs would increase from 7,000 in 1989 to 15,000 by 1995. He also said he would like to see the number of new degree recipients jump from the 3,000 in 1987 to 17,000 by 1996.

However, education is a long-term investment, and something more immediate is needed. For this reason, the Hong Kong government also formulated medium- and short-term solutions. The medium-term solution is to induce the return of the Hong Kong residents who have already left. To implement this solution, Hong Kong's Overseas Affairs Offices have, in recent years, worked continuously to inform Hong Kong residents abroad, and particularly the students, about job opportunities in Hong Kong.

At the same time, the Hong Kong government also decided to encourage the establishment of international schools so that returning Hong Kong residents might find that their children's educations are all taken care of.

Survey numbers seem to indicate that more and more Hong Kong residents are returning. A 1990 survey by a Hong Kong market research agency showed that an average of one of every five families who hold foreign residence permits has at least one family member who has returned to Hong Kong from abroad. This ratio is double that of the previous year.

This is all very nice, but still, the numbers of returnees are minimal. The way the Hong Kong government sees it, because the emigration wave did not really begin until 1988, many emigrants are remaining abroad because they have to "satisfy residency time requirements"; and also taking into account the fact that emigrants need time to take care of business and family affairs abroad, the government believes that, even if the attempts to lure back Hong Kong residents are successful, real results will not be seen until after 1992 or 1993.

As for the short-term, the Hong Kong government's solution to manpower shortages is to import labor.

Labor imports occur on many different levels. The first level is made up of consultants and specialists, which Hong Kong has always lacked. Most of these types are brought in from Western countries, as has always been done. In recent years, heated debates have occurred over imports of another level of workers—manual laborers with low technical skills. This year the Hong Kong government opened the door wide to imports of manual labor, and we can trust that their numbers will gradually increase, and that greater imports of semi-skilled or unskilled laborers are now unavoidable.

Recently, the Hong Kong government also approved a plan to allow overseas Mainland Chinese students to come to Hong Kong to work. To a certain extent this plan will help alleviate the shortages of scientific, technological, and engineering talent in Hong Kong.

In sum, the Hong Kong government has already provided its so-called long-term, medium-term, and short-term solutions to deal with the shortages of talent brought on by emigration. However, the more effective solution, of course, should be to strive to keep Hong Kong residents from leaving.

Over the long-term, the emigration problem can be completely solved only by dispelling the confidence crisis in the minds of Hong Kong residents. However, over the short-term, I imagine the confidence crisis will continue to exist. This being the case, one way to dissuade our local talent from leaving would be to get foreign governments to set up various kinds of "assurance plans" whereby, once a Hong Kong resident obtained foreign citizenship or residency rights, he could remain in Hong Kong for some time thereafter.

The British Government is starting to get into the act. On 1 December 1990, the British Government officially began accepting applications for British citizenship from Hong Kong residents, with the plan proceeding in two stages. 50,000 families will be given British citizenship,

and the British Government estimates that this will encompass 225,000 individuals. I think this number is a bit high—200,000 is probably a closer figure.

Recently, the U.S. Congress passed a new immigration act. Annual Hong Kong immigrant quotas will increase from 5,000 to 10,000 in the next three years, and after three years the annual quota will jump to 20,000. Another unique facet of the new immigration act is that, once a Hong Kong resident obtains his immigration papers, he can delay landing in the United States until the year 2002. This actually gives emigrants a chance to look at the post-1997 situation for a few years, and it helps take off some of the pressure to emigrate to the United States before 1997 that would otherwise exist.

In addition to the British and U.S. citizenship and immigration plans, Singapore came up with a residency plan early last year to attract Hong Kong residents. Under this plan, 25,000 families are targeted, and the date of arrival can be delayed for 10 years. Also, certain European countries (like France and Denmark) have come up with plans to allow a small number of Hong Kong residents (mainly workers in companies owned by investor-residents of those countries) to stay in Hong Kong and yet obtain citizenship from those countries.

#### **The Senses of Belonging and of Responsibility Are Greatly in Doubt**

If we tabulate all of the numerous plans, then prior to 1997 the British citizenship plan will involve about 200,000 persons, the new U.S. immigration act will involve about 100,000 persons, the Singapore residency plan will involve about 100,000 persons, and adding the other small-scale plans, we see that we are probably talking about somewhere between 400,000 and 500,000 persons.

This figure comes near to the number of intentional emigrants we will see over the next six-plus years. If these emigrants were all willing to stay in Hong Kong under the plans of assurance we discussed above, then this should alleviate the short-term pressure of the emigrant problem. Even if half of them preferred to leave immediately, the other half might be persuaded to stay for a period, thereby reducing the shock.

However, it is my view that, whether we talk about the long-term, medium-term, and short-term solutions of the Hong Kong government or the citizenship, immigration, or residency plans of the various countries, we are talking about negative solutions. And why is this?

First of all, aside from the plan for rapid expansion of university and college education, all of the other plans discussed above, whether it be trying to get Hong Kong residents who have obtained foreign citizenship or residency rights to temporarily remain in Hong Kong, or directly drawing in foreigners to fill in for the talent that has been lost, all have a common feature—all of the persons involved hold foreign citizenship or residency rights, and thus, there is much doubt about their sense of

belonging to and being responsible to Hong Kong. As long as the picture in Hong Kong is rosy, they will happily stay on. But once Hong Kong shows signs of disturbance, it will be hard to guarantee that they will not leave on the next flight.

Second, all of the above-mentioned policies focus on those leaving Hong Kong, while neglecting to consider the interests of the majority who will remain. They are solutions directed at a minority of the people, and as a result, societal relations could quite likely become very tense. The societal costs that could result from these solutions have yet to be fully estimated.

Third, although we say that it will be difficult, in the short-term, to solve the confidence crisis of the Hong Kong people, these solutions do not even attempt to help out at all in this regard. They seem overly negative, and though they may prove effective for a time, in the long-run their effect will be fairly limited.

#### **Facing Up to the Problem—Positive Solutions**

Based on the above discussion, I feel that we must try to find some positive solutions to add in with the negative ones. As we said earlier, it will be difficult, in the short-term, to completely solve the confidence crisis of the Hong Kong people. However, if we adopt more positive methods, the effect on the confidence crisis should be a helpful one, and this should provide us with long-term solutions to the emigration problem.

So, what positive work can we do?

First of all, education should not be directed only at quantity. Expanded university and college education, no doubt, can train more talent and fill in shortages caused by the emigration problem. However, if university graduates have no sense of responsibility to society, then they too will soon scurry to join the ranks of emigrants. By increasing the number of graduates with bachelor's degrees, we will instead be adding to the number of persons with emigrant qualifications.

Thus, our education must do more to teach a sense of responsibility to society. It is a pity that the Hong Kong government has long stressed only quantity in education, only recently devoting more attention to quality. And when it comes to teaching social consciousness, not only must the Hong Kong government do more, but social figures and school administrators should also take more initiative.

Second, we should not solely look to education or degree courses to fill in the vacancies caused by emigration. On the one hand, this sort of education quite possibly may only increase the number of persons with emigrant qualifications, and on the other hand, it is a long-term solution to a short-term problem and only a minority of the people can benefit. What we urgently need to start doing right now should be to train existing workers. This can raise their quality, allowing them to better take on

larger responsibilities, and it can give them more opportunities for promotion, thereby increasing the likelihood that they will stay in Hong Kong.

#### **Those Remaining in Hong Kong Should Be Given Political and Economic Incentives**

Third, those remaining in Hong Kong should be given political and economic conditions of encouragement, enabling them to derive a greater sense of satisfaction by staying.

Economically, the Hong Kong government should strengthen its social services and encourage a long-term central reserve fund plan so that Hong Kong might become a more caring and loving society.

Politically, the arena should be opened up more so that residents might have more opportunities to participate, their feelings of impotence about the future might be reduced, and we might avoid seeing a mood of dissatisfaction grow among those remaining in Hong Kong where they feel that all of the so-called bigwigs in society who make policy hold foreign citizenship or residency rights and basically cannot be counted on to look after the interests of those remaining in Hong Kong. In fact, many of those who will stay in Hong Kong after 1997 are truly important figures in society.

Of course, the points I have just made will not be enough to completely solve the emigration problem. However, all of them do focus on long-term development and do more to look after the interests of those remaining in Hong Kong. Undeniably, the negative solutions can, in the short-term, reduce the shock from the emigration problem. But, if we fail to work on the long-term factors and if we do not adopt long-term, positive solutions, then the shock in the future may be even greater.

Of course, the bottom line is that the emigration problem hinges on the confidence crisis and the prevailing climate in China. If, in the next few years, China neither develops nor advances, and if China-Hong Kong relations are still poor, then basically there will be no effective solutions to solve the emigration problem. As for China's development, the people of Hong Kong can only stand by and watch. We can only work hard to make Hong Kong a good place and hope that China makes healthy progress. The basic elements of the positive attitude are—we do all we can, we plan for the worst, and we hope for the best.

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[Article by Lei Ching-hsuan (7191 4552 2467), Asian-Pacific Area Studies Research Planner, Chinese University of Hong Kong: "Hong Kong's Present Electoral System—No Overall Problems, Specific Arrangements Need Improvement"]

[Text] A prominent characteristic of the present Hong Kong electoral system is that several electoral regulations give some rather key powers to the Hong Kong governor

or to the governor in consultation with the Executive Council. These powers include drawing up electoral districts and methods of allotting legislative seats, procedures and formulas for registering voters, and limitations on campaign spending. The governor or the governor in consultation with the Executive Council can issue subsidiary legislation in these key matters. In addition, there is a government department (the Constitutional Affairs Department) responsible for conducting routine electoral matters. So, the biggest difference between Hong Kong's electoral system and procedures in most Western countries is that Hong Kong's Executive Branch has broad powers in formulating and implementing electoral regulations, whereas most Western countries, in the interest of electoral fairness and impartiality, generally tend to limit the involvement of the executive branch in electoral matters.

The present electoral system can be considered to be suited to Hong Kong's present political structure. The Hong Kong Government wants to play a planning, guidance, and coordination role in electoral matters, like a banker in a gambling agency who does not place his own bets. Therefore, they can essentially maintain electoral fairness and impartiality.

But the pattern described above will be greatly changed when 1997 arrives. In a future special administrative zone, elections will have a very important effect in producing organizations with core powers. It is worth deliberating whether, when that time comes, those in power will still be able to formulate electoral regulations and fairly administer electoral matters.

In planning specific electoral matters, Hong Kong rather extensively consults relevant British regulations. Below I have selected seven items that could contain problems or could easily give rise to controversy in the future.

### 1. Establishing an Independent Election Commission

As was stated above, having the executive branch draft electoral regulations and be responsible for electoral matters is essentially not a major problem now. So, there is certainly no need to set up an independent election commission. But, considering the fact that elections after 1997 will become political as well as nonpolitical activities, the establishment of an independent election commission is a rather desirable method. This would help to maintain electoral fairness and eliminate unnecessary controversy.

### 2. Drawing Up Electoral Districts

At present, drawing up electoral districts is left completely to the discretion of the governor in consultation with the Executive Council, and there is no need to rely on any written principles when drawing up electoral districts. In drawing up electoral districts, however, the government also does not have a clear partiality. For example, in the nine electoral districts for direct election to the present Legislative Council, the only puzzling example is the two neighboring electoral districts of New

Territories North and New Territories East. The former includes the two subdistricts of Northern Area and Ta-Pu, with a total population of 388,000 and approximately 91,000 registered voters; and New Territories East includes the two subdistricts of Shatin and Hsi-kung, with a total population of 655,000 and approximately 305,000 registered voters. These two electoral districts can be considered rather disparate. Actually, if Hsi-kung were assigned to New Territories North, the disparity would be greatly reduced.

### 3. Voter Registration

The government recently revised electoral regulations and changed the date for making up temporary voter registration cards to every 22 June and the date for making up permanent voter registration cards to every 8 August. This is obviously helpful to the September legislative council elections.

An internal contradiction in the voter registrations system is that registration must be completed within a specified period before the election is held so that, at the time of the election, there is a completely reliable list of voters to use as a basis. But there is a period of time between registration time and the election, and the atmosphere is not lively. So, it does not help the registration rate. Many qualified voters who have not registered during the registration period can no longer register when it gets close to the election. In other words, the present voter registration system has no way to use the motivation engendered at election time to induce voters to register.

### 4. Election Funds and Expenses

Hong Kong regulations on this aspect are now rather simple, mainly setting limits on election funds and expenses. The candidate must report after the election and regulations on compliance, fraudulent practices, and unlawful activity rather concentrate on the "oversight" aspect. But in reality election funds and expenses also involve the aspect of "assistance," that is, how does the government create regulations to attract more capable people to participate in the campaign and make the campaign situation of all contenders more even?

Not only are candidates not presently required to publicize and report the sources of their contributions, but another possible loophole is that the funds collected by some candidates exceed stipulated limits, and there is no guidance on how to dispose of these excess funds. It appears that in this respect we can only establish some indicators and let the candidates comply. As for setting regulations requiring candidates to publish the sources of their contributions, that could be an invasion of the contributors' privacy and could have a negative effect on some who want to contribute, resulting in possible indirect damage to candidates' fund-raising efforts, an inappropriate effect at this stage. As regards oversight of expenditures, I suspect that present regulations also are

too simple. For example, there are no detailed regulations regarding when campaign expenses should begin to be calculated (for example, six months before election day) or what type of expenditures must be reported. So, there is still room to improve oversight of expenditures.

### 5. Campaign Activities

The government has consistently adopted an attitude of not actively interfering in campaign activities. But, as competition becomes more and more heated, it is very easy for disputes, friction, or even litigation to occur in candidates' campaigns. So, it is appropriate to take early precautions. For example, some Western countries provide the candidates with a place to put up posters, and candidates can post them only in the designated place according to regulations. An arrangement such as this is worth looking into for Hong Kong.

### 6. Organizational Voting

In the Legislative Council election there are altogether eight different functional groups (involving eleven seats) that vote as an organization by delegating a representative to vote for the organization concerned as a unit on election day. This brings in the issues of how the organization concerned makes its voting decisions and whether or not their representatives faithfully carry out their decisions. Several people have pointed out the possible loopholes in this situation. It appears that, unless we have a valid voter list designating an individual to vote for a unit and thereby changing the voting method to have an organization vote as a unit, there is no way to prevent the related criticism.

### 7. Voting Rights of Overseas Hong Kong Residents

The Hong Kong Government is now once again denying overseas Hong Kong residents the right to vote by using the reason that it does not conform with present laws and regulations. But this matter actually involves a rather important issue of principle—whether the Hong Kong Government can use a technicality to refuse to give the right to vote to Hong Kong residents who are temporarily residing abroad for study or work and have not taken up residency abroad; this is the equivalent of stripping them of their citizenship and their political rights. Actually, as far as technical arrangements are concerned, if we wanted to resolve this issue, it should not be too difficult. A great many Western countries (including Britain) have experiences from which we could learn. The 1991 elections could be too soon to make the necessary revisions and arrangements, but we cannot use technicalities to rule this matter out.

### Conclusion: Post-1991 Election Critique

To sum up what was discussed above, my own opinion is that Hong Kong's present electoral system does not have any serious overall problems, but quite a few specific aspects could still be deliberated and improved. The

greatest difference between the present Hong Kong electoral system and elections in Western democratic societies is that voting rights are not equitable. As we face future changes and Hong Kong is in transition to a special administrative zone, the present electoral system could well be unsuitable. So, it is necessary to make wide ranging revisions. The governmental aspect will be shown by whether we can make a complete critique of the electoral system after the 1991 elections. This is as it should be, but at the same time, we cannot overlook the fact that a critique after the 1991 election and before the 1995 election will be an extremely political event, because new electoral regulations and arrangements will indirectly affect the power structure after the 1997 change of sovereignty. Therefore, we can anticipate that the post-1991 electoral system critique will be a major trial of strength between China and Britain and among various internal factions in Hong Kong and the situation will probably be similar to the 1988 critique of the political system and the direct election controversy.

### Strong Economy Expected for Macao in 1991

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[Text] Hong Kong, January 8 (XINHUA)—Macao economy had a steady development in 1990 and is expected to make new progress in the new year despite some unfavorable external and internal factors.

This is a conclusion of a recent research report by the Economic Research Department of the Macao Branch of the Bank of China (BOC).

The report estimated Macao's economic growth rate last year was 5.5 to six percent, a good performance even in Asia.

The department attributed Macao's steady economic development in 1990 to better trade performance than expected, a continuous boom in tourism, recovery of the property business and a brisk banking and financial industry.

The total value of its foreign trade in the first eight months last year was 17.688 billion Macao patacas (2.197 billion U.S. dollars), some 5.7 percent more than that of the same period of the previous year. The exports increased by 11 percent, resulting in a favourable balance of 1.6 billion patacas (198.75 million U.S. dollars).

During the period, 4.02 million tourists visited Macao from or via Hong Kong, a 6.5 percent increase over the corresponding period of 1989. The total number of arrivals in 1990 is expected to reach six million.

The report noted the main impetus to Macao's economic growth came from its growing internal demands.

Construction of large projects brought about a sharp increase in public spendings. The adjusted budgetary expenditure for government investments doubled in



1990 as compared with the previous year, to reach 1.6 billion patacas (198.75 million U.S. dollars).

In addition, improved living standards promoted an active market of consumer goods. The import of daily necessities in the first eight months last year was 10.1 percent more than that of the same period last year.

But, the research report pointed out some unfavorable factors in Macao's economy.

No obvious improvement was made in its export structure in which textiles exports still occupied a dominant place. The total value of textiles exports in the first eight

months last year accounted for 74 percent of Macao's total exports as against 72 percent in the same period of the previous year.

Other unfavorable factors include a difficult future for those labor-intensive and quota-protected processing industries, and a drastic expansion of public spendings. The Gulf crisis, economic recessions in some countries, uncertainties in political and economic affairs and increasing inflation would also affect the region's economy.

But, the report said the stable political and economic situation in China would promote closer ties between Macao and the Chinese mainland.

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